

**ICICI Prudential Asset Management Company Limited**

**Earnings Conference Call - Quarter Ended December 31st, 2025**

**January 14, 2026**

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will' , 'would' , 'indicating' , 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward looking statements'. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include, but are not limited to, actions of regulatory authorities, regulatory changes pertaining to the industry in which we operate and our ability to respond to such changes, our ability to successfully implement our strategy, our growth and expansion in business, technological implementation and changes, the actual growth in demand for AMC's products and services, cash flow projections, our exposure to market risks, impact of competition; the impact of changes in accounting standards, tax and other legislations and regulations in the jurisdictions where the Company has operations or which affect global or Indian economic conditions as well as other risks detailed in the reports filed by ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Bank Limited and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date hereof.

Moderator: Ladies and gentlemen, good day and welcome to the ICICI Prudential Asset Management Company Limited's Earnings Conference Call for the quarter ended December 31, 2025. 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, please signal an operator by pressing star and then zero on your touchtone phone.

I now hand the conference over to Mr. Nimesh Shah, MD and CEO of ICICI Prudential AMC Limited. Thank you and over to you, sir.

Nimesh Shah: Welcome everybody to our first earnings conference call as a listed entity. We have got with us my colleague Naveen Agarwal, the CFO of the company, Amar Shah, the Chief Business Officer, Abhijit Shah, the Chief Marketing and Digital Officer and Harshil Sanghavi, who looks after Investor Relations. We will be there to address all your queries subsequent to the opening pitch. If you talk about the industry, mutual fund industry, as all of you know, has seen a robust trajectory of growth over the last five years, with the industry AUM growing threefold.

The industry's quarterly average asset under management grew by 18.1% year-on-year and 5% sequentially in Q3 FY 26, reaching INR81.0 trillion. Equity and equity-oriented quarterly average AUM, which commands the largest pie in the overall mutual fund industry, increased by 16.7% year-on-year and 5.3% quarter-on-quarter to INR44.0 trillion.

The industry witnessed net inflow of INR1.8 trillion during the quarter. The equity category continued to be at the forefront, attracting a net inflow of INR1.1 trillion. The SIP contribution for the month of December 20, 2025 amounted to INR31,0.02 billion,

as compared to INR293.61 billion and INR264.59 billion in the month of September '25 and December '24.

In the debt segment, the quarterly average AUM grew by 21.0% year-on-year and 2.3% quarter-on-quarter to INR13.4 trillion. Passive quarterly average AUM grew by 23.0% year-on-year and 9.5% sequentially to INR13.5 trillion. The industry saw an increase of unique customers reaching 59.0 million, which represents an increase of 12.1% year-on-year and 3.4% as compared to the previous quarter.

Now I hand over the call to Harshil Sanghavi for covering the performance of our company.

Harshil Sanghavi: Thank you, Nimesh. Good evening, everyone. For the quarter ended December 2025, our total mutual fund quarterly average AUM reached INR10.8 trillion, which is up by 6.1% sequentially and 23.2% year-on-year, thereby maintaining our position as the second largest AMC with a market share of 13.3%.

As of December 31, 2025, we continue to have the largest market share of 13.5% in active schemes with a quarterly average AUM of INR9.1 trillion, reflecting an increase of 5.2% as compared to the previous quarter and 20.6% Y-o-Y. As of December 31, 2025, we continue to have the largest market share in equity and equity-oriented schemes of 13.8% with a quarterly average AUM of INR6.1 trillion, reflecting an increase of 7.3% quarter-on-quarter and 23.6% year-on-year.

The quarterly average AUM of our equity-oriented hybrid schemes amounted to INR2.1 trillion with a market share of 26.3% as of December 31, 2025. This reflects an increase of 9% Q-on-Q and 26.8% year-on-year. These market positions serve as a testament to our ongoing commitment to achieving risk-adjusted returns for our customers.

In the debt segment, our quarterly average AUM stood at INR2.0 trillion, reflecting a growth of 18.9% year-on-year and 2.7% as compared to the previous quarter. Our passive quarterly average AUM reached INR1.7 trillion, representing a growth of 39.4% Y-o-Y and 10.8% sequentially. For nine months ended December 2025, our margins on annualized basis stand at 67 basis points for equity, 32 basis points for debt, 12 basis points for liquid, 9 basis points for passive and 30 basis points for arbitrage.

We have a unique customer base of 16.2 million as of December 31, 2025. In December 2025, our systematic transactions, which includes SIP and systematic transfer plans, increased by 4.9% to INR50.37 billion, which was up from INR48.03 billion in September 2025. This also marks an 18.6% rise compared to INR42.47 billion in December 2024. Notably, 95.7% of our total mutual fund purchase transactions were executed across digital platforms for nine months ended December 2025.

Our distribution mix of equity schemes quarterly average AUM is as follows, with direct representing 28%, mutual fund distributors accounting for 37.3%, ICICI bank contributing 8.1%, other banks share at 11.1% and national distributors accounting for 15.5%. Our net flows market share in equity schemes exceeds our AUM market share.

We have received approvals to launch Specialized Investment Funds under the brand iSIF, pursuant to which we are launching two SIFs.

Our long-term strategy for mutual fund is to :

1. Maintain focus on the investment performance with risk-calibrated approach.
2. Continue our focus on retail growth specifically through systematic transactions.

3. Expand our customer base through distinct initiatives, increasing penetration in existing and new markets and strengthen relationships with our distributors.
4. Leverage our technology and scale digital capabilities to drive customer acquisition and enhance customer experience.

Now let's move to our alternates business which comprise equity-focused PMS and alternative investment funds with strategies comprising private credit, long-only equities, office yield and real estate funds.

For the December quarter end, our alternates quarterly average AUM stood at INR752.8 billion. Within alternates, our PMS quarterly average AUM grew by 7.5% sequentially and 22.6% Y-o-Y to INR272.81 billion. Our AIF quarterly average AUM of INR159.09 billion reflected a sequential growth of 8.6% and 40.0% year-on-year.

For nine months ended December 2025, the gross yield on our alternates business was 1.99% and the net yield, that is after reducing the fees and commission expenses attributable to the alternates business, was 97 basis points on an annualized basis.

We have established retail FME branch presence in GIFT City. This expansion will enable us to launch retail schemes and ETFs, alternate investment funds, PMS and advisory services for clients within IFSC GIFT City.

We would also like to share an update on DIFC. We have received requisite approvals to commence the operations. This will help us to effectively serve the investment needs of NRI and international investors across the Middle East.

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

Naveen Agarwal: Thank you, Harshil. Good evening, everyone. I will cover the financial performance overview for the quarter ended December 2025. Our operating revenues stood at INR15.15 billion, representing a growth of 23.5% year-on-year and 6.7% sequentially. Our other income for the quarter was recorded at INR1.09 billion. Operating expenses amounted to INR4.05 billion which was an increase by 8.5% year-on-year and 0.6% quarter-on-quarter.

Our operating profit before tax, which indicates the core profitability of the business, stood at INR11.10 billion. This represents a 30.0% increase year-on-year and 9.1% rise on quarter-on-quarter. Our profit after tax stood at INR9.17 billion which is up by 45.1% year-on-year and 9.8% quarter-on-quarter. Return on equity for nine months ended December 2025 is at 87.9% on an annualized basis.

The Board of Directors additionally have approved an interim dividend of INR14.85 per share. For nine months ended December 2025, if you look at it on an overall yield and net yield, our annualized basis, the overall yield was 52 basis point and the net yield was 48 basis point, respectively. Net yield is arrived at after reducing the fee and commission expenses on alternates which is shown as an expense item in the P&L.

For nine months ended December 2025, our operating margin stood at 37 basis point as compared to 35 basis point for nine months ended December '24. This is on an annualized basis. And our employee count as on December 31, 2025 was 3,522.

With this, we can move to the Q&A.

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

Lalit Mohan Deo: Good evening, sir. Congratulations for a good set of numbers. Sir, just two questions. So, firstly

Moderator: Sorry to interrupt, sir, but you sound a little muffled. If you could please check the mode that you are using on your handset.

Lalit Mohan Deo: Yes, is this better?

Moderator: Yes, this is much better, sir. Please go ahead.

Lalit Mohan Deo: Yes. Sir, I have two questions. So, firstly, on the revenue side, is it possible to break up the revenue in terms of mutual fund, alternates and the advisory business? And the second was just a clarification, like in the presentation it is mentioned that like the systematic flows which we represent, so that includes SIP flows towards PMS business as well.

Naveen Agarwal: Yes. So, on your first question of the total core revenue, around 92% is coming from the mutual fund, 7% is coming from alternates and approx 1% is coming from advisory. On your second question on systematic transactions, there is a small number which is on account of PMS as well, but the systematic transaction does include that as well.

Lalit Mohan Deo: Sure, sir. Thank you, sir.

Moderator: Thank you. Our next question is from the line of Sucrit D Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit D Patil: Good evening to the team. I have two questions. My first question is to Mr. Shah. As India's asset management industry evolves with rising retail participation and digital distribution and regulatory changes, what are the structural shifts you are -- what are the structural shifts you see shaping ICICI Prudential's position over the next two to three years? Especially, how are you preparing to differentiate beyond scale, whether through product innovation, investor education or any tech-led engagement or anything which

is on your mind? I just want to understand your view on this.  
Thank you.

Nimesh Shah:

So, I had said it at the time of IPO also. At the time of IPO and I am saying it now also that this industry has been growing very well and we plan to continue doing what we have been doing. There is nothing dramatically different that we plan to do. It is a very simple business. I think the regulator has created a brilliant product. The product is working in the interest of the customer.

When the product is working in the interest of the customer, it has become a Pull product as much as when I started working in this industry, it was a push product. Today, thanks to the good product and the customer's good experience in this product, it has become a Pull product. So, any company which works, manages scale well and is able to manage money in a very responsible manner, keeps on getting money from the customer.

You would have seen that is happening. A lot of small AMCs also have been able to generate a huge amount of AUM because they gave a very good performance. So, I feel the way to track this industry is also how well are the funds doing for the final customer. Native intelligence, forget artificial intelligence, is that anybody who makes money in your funds will further invest with you.

So, we have got more than 1.6 crore customers. A lot of them have made decent money if you look at our performance track record. So, I think we have been able to deliver a good risk management - risk-adjusted return. And with that and the positioning that we have with our brand in the country, If we don't make big mistakes, there is a probability that we can do well.

So, when you get, it is a very simple business. There is no complicated jargon required. If you manage money carefully and you give a risk-adjusted good return to the customer, your AUM

keeps growing. I have been seeing it since last 10-15 years that this is happening. And so, as far as use of technology is concerned, we are at the cutting edge. You would have seen our apps. A lot of you would have been our customers also.

You would have seen our apps. You have seen the way we have transitioned from the traditional model to the new digital model. And Naveen pointed out to the percentage of the transactions that are happening online. So, that is a way of life. Today, I don't want to talk about technology separately because technology is with which we operate. So, it is not a basic, it is not a new strategy.

Always we have been on the cutting edge as far as technology is concerned. We benchmark ourselves against the best in the industry and we have been doing that. So, it is the same thing that we have done over the last 15 years that we want to continue doing, manage money well. And if we manage money well, our business keeps growing.

Sucrit D Patil: Thank you. My second question is to Mr. Agarwal. On the profitability side, just sense of the planning, given the pressure from competitive expense ratios and the digital platforms, how are you balancing near-term margin protection with longer-term investments that could structurally expand the profits?

Are there any specific levers like operating efficiency or product mix or partnerships or anything else that you see can help you grow the margins beyond FY '26? Thank you.

Naveen Agarwal: Traditionally, we have always been investing in the business. And if you see over a period, given the increase in the overall AUM and the resultant increase in the revenue, there has been an operating leverage which has played out. We obviously keep looking at our expenses and optimize wherever possible.

But in so far as the approach is concerned, the approach which was to invest in business so that wherever we see opportunity, we are future ready, that approach will continue in future as well. We do not see that changing at all.

Sucrit D Patil: Thank you for the guidance and I wish the entire team best of luck for next quarter.

Moderator: Thank you. Our next question is from the line of Pratik Ghosh from Citi. Please go ahead.

Dipanjan: Good evening. This is Dipanjan here from Citi. So just a few questions from my side. Firstly, in terms of your SIP flows from the mutual fund side of the business, would it be possible to let's say give a breakup between let's say sectoral SMID and others and how that would have changed let's say across years or months?

The second question is on this mutual fund circular which has come out and its potential impact. Now what we understand from your peers is that maybe a portion of the head, majority of it might be passed on to distributors. Now what I understand is you operate on a marginal pricing regime with the distributor payout side. So on this backdrop, would it be fair to assume that you can also do a similar pass-through to the distributor or your mitigating strategies will be different?

The third question and this is more of a follow-up to one of your comments where you mentioned the revenue split between mutual fund, alternates, PMS and others. I just wanted to understand was it AUM split or revenue split and in case it was revenue split, was it on a net basis or gross basis? I'm just adjusting for the fees on the PMS and alternates basically.

Naveen Agarwal: So, Dipanjan, three questions. On your first question on the SIP, the number that we have put out is a systematic transaction number which is a total of systematic SIP as well plus Systematic

Transfer Plan. Frankly, it doesn't, from a commercial perspective, it does not make any difference which scheme the money is coming in.

I think the key number that one should look at is what is the inflow that we are getting on account of systematic transactions on a month-on-month basis. So, that's the number that we track and that's the number that we put out.

On your second question on passing on of the deduction which has been proposed under the SEBI circular, as you know, there are a few proposals from SEBI with respect to the cut in the TER and against that cut, there has been some allowances which has been given on account of GST which we can charge over and above what we are allowed to charge today.

Frankly, this is expected to be applicable from 1st of April. If we simply see from math's perspective, there would be implications, impact on some of the larger schemes. But closer to the date, we will assess it and we will update you as and when we have more information on this from our side. On your third point on revenue split, it's actually, what I gave you is a approximate revenue split, net revenue of 92, 7 and 1.

Pratik Ghosh: So, just to clarify, when you say net, it is adjusted for fees and I think at the time of listing, you had also mentioned there is a line item called business operational expense. I mean, do you adjust for that also or it's just the fee and commission expense that you are adjusting for?

Naveen Agarwal: For alternate, we are only adjusting it for the fee and commission expenses because, as you know, in alternate, it's paid from the AMC and not from the fund. So, sometimes the gross looks elevated. What makes sense is to look at the net number for alternate.

Pratik Ghosh: Got it. Thank you and all the best.

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

Mohit Mangal: Yes. Good evening. Thanks for the opportunity and congratulations on a strong set of numbers. My first question is towards the distributor payout. So, I think you have a very lower distributor payout despite being the highest equity AUM.

So, I wanted to understand the model that, you know, how do you pay the distributor in the sense that is it based on telescopic pricing or is it revised periodically? If you can just throw some light on that, that will be helpful.

Naveen Agarwal: As you rightly said, on the distributor payout, there is a benchmark with respect to what is being paid out at the industry level. This is something that we do it on a regular basis.

We review what sort of, you know, what sort of TER we are going to get and then we decide what sort of sharing we could be, we can do with the distributor. This is an ongoing process and this is something that we monitor and we review and, you know, we decide on a periodic basis.

Mohit Mangal: Understood. So, can we assume that maybe it is done, say, on a quarterly basis based on how AUM has kind of, you know, moved or is it an annual exercise if you can just throw some light on that?

Naveen Agarwal: No. So, it is done often. It is not an annual exercise. It is done at least on a quarterly basis and if need be otherwise as well, but it is also dependent on the long-term relationship with the respective distribution partners.

Mohit Mangal: Understood. My next question is on the ICICI Bank share. So, I think it is in the single digit. So, are we having some kind of a

dialogue, you know, that if we can increase the share, if we can just throw some light on that?

Naveen Agarwal: Yes, you rightly said ICICI Bank is at AUM wise 8.1% of our mix.

Amar Shah: So, okay, I am very clear that we work with every distributor including ICICI Bank and, you know, wherever bank and their customers, there is a need to invest, we work along with the bank. So, we continue to maintain the rigor across the distribution and ICICI Bank is one of the distributors where we work very, very closely with them on the sales side.

Mohit Mangal: Right. So, I mean, the share is in single digit. So, are we trying to increase it further?

Amar Shah: The effort is to increase the total pie with every possible distributor, ICICI being one of them. We will be very happy if the share goes up, but as I said, the effort is across distribution to keep on increasing the business.

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

Moderator: Thank you. Our next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: Yes, thanks for the opportunity. My first question is on the alternate growth. Any color you can share in terms of how we can view this growth trajectory? Should it be more steadier than the MSPs or any color on that will be great.

And secondly, on our employee count, has there been reduction since FY25 because the number you shared, I thought it was a little lower. These are the two questions. Thank you.

Naveen Agarwal: See our alternate business is still, you know, relatively newer business. Most of the increase has happened in last few years. There is a large headroom with respect to the growth, you know,

difficult to predict how much would it be growing by. As an approach, our focus is on all the business segments.

We are equally focused on mutual fund. We are also focused on alternate and within alternate also various subcomponents of it. Ultimately, what is key is that the performance under the scheme should also remain good. And so, from a focus perspective, that is what we will do our job and let's see how the numbers play out.

On the employee count, frankly, I don't think you could see too much into the marginal fall. I believe, you know, we keep looking at rationalization. It could be numbers here and there. So, as I see, for example, last – vis-à-vis the last quarter and this quarter number is pretty much flattish.

Ansuman Deb: Understood. Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Bhavya Sanghvi from Alchemy Capital. Please go ahead.

Bhavya Sanghvi: Thank you so much for the opportunity, sir. I joined the call a little late. Could you help me with the yield in different parts of the segments, including mutual funds and AIF? Alternative. Thank you.

Naveen Agarwal: Yes. So, for the nine-month ended December '25, on equity, our margins are 67 basis points. On debt, it is 32 basis points. On liquid, it's 12 basis points. Passive is 9 basis points. And arbitrage is 30 basis points. On alternate, on gross, yield is 1.99, while on net, it is 97 basis points. These are all on annualized basis.

Bhavya Sanghvi: Thank you. And the second question would be, could you also help me with the outstanding number of SIPs and STPs put together?

Naveen Agarwal: Again, as you know, it actually doesn't matter. Our average SIP would be pretty much in line with that of the industry in terms of number of accounts.

Amar Shah: Okay. So, the current SIP plus STP book that we have as of December 31, 2025 is INR5,000 crores. That's the outstanding number.

Bhavya Sanghvi: So, the number -- the number of outstanding SIPs is -- so, INR5,000 crores is exactly what, sir? Sorry.

Amar Shah: INR5,000 crores is the amount that gets triggered every month and it automatically comes into the fund. In a systematic route, it comes into the schemes. It is a combination of SIP plus STPs.

Naveen Agarwal: It's actually INR5,037 crores to be exact.

Bhavya Sanghvi: Sure. Thank you.

Moderator: Thank you. Ladies and gentlemen, to ask a question, you may please press star and one. Our next question is from the line of Ansh Mehta from Value Partners. Please go ahead.

Ansh Mehta: Hello. Am I audible?

Moderator: Sir, you are audible.

Ansh Mehta: Yes. Thank you, sir. Just a quick question. Your employee count is almost double the size of your next listed competitor. I just wanted to color on, is that because your Alternates business is sort of larger or is it more because of a push in your business and your distribution? If you can just add some color on that.

Naveen Agarwal: Yes. So, as you rightly pointed out, clearly, we have a business line on the alternate. And within alternate also, as you would have seen in our presentation, there are multiple business lines. So, in alternate, we have listed equity, PMS, we have AIF as well.

We have real estate; we have private credit. And all these means that we would have investment team across all these business lines. We would have support functions, operations, sales. So,

hence, our count increases because of this incremental business that we have.

Nimesh Shah:

See we have discussed this. It's exactly because we don't have any of, we have employees on-role. And the focus for us has been that every business that we start should be viable, and we are conscious that it should breakeven. If we start a new initiative, we are conscious at what AUM level it will breakeven.

So, we do take initiatives, which will initially increase costs. But if we see a roadmap of more revenue, so don't compare only the number of employees, it is good to be over invested in a business which is growing continuously. See, we, our fund management, I'll just give you an example in equity investment, forget every other area.

The AUM has been growing very fast, almost every 3 to 3.5 years, we have been doubling our AUM. So we create fund managers internally. All my fund managers in the mutual fund side have been created internally. So, my investment team will be way more than anybody else that you will compare with, because we believe that we will create more fund managers internally.

And so that we need whatever we need. Today, we are INR6.5 lakh crores. 3 years back, our AUM was much lesser than that. But we don't go and search for fund managers today. I'd invested 3 years back. Today, I've got 15 fund managers on the mutual fund side. And we know that we are over invested.

And in this business, since it is growing well, it is better to be over invested as far as creating capabilities and capacities is concerned. So, don't only look at the incremental cost. When you compare numbers, don't only look at incremental cost, look at the incremental revenue and incremental operating profit. There is only one word we understand, the incremental operating profit, please see that.

Ansh Mehta: That's well noted. Thank you, sir. And just one more question. In your P&L statement, when you compare it with other competitors, maybe this is just my way of reading, but it is only ICICI that shows a distribution expense, whereas other AMCs would generally list their revenue as net of any commission expenses. Is there any reason why your distribution expenses are higher apart from the alternate business? That point is noted.

Naveen Agarwal: It is only on account of alternate business. Our revenue distribution...

Ansh Mehta: Okay. So, higher distribution, right?

Naveen Agarwal: If you read our P&L, you would see under expenses ahead called fee and commission expenses, which is on account of the commission expenses for the alternate business, which by regulation has to be paid not from the fund, but from the AMC. So, we earn gross fees and then we pay that commission. And if the gross is reflected in the revenue, the expenses are reflected in the expense item.

Ansh Mehta: Understood. Noted, sir. Thank you and best of luck.

Moderator: Thank you. Our next question is from the line of Viraj Negandhi from Piper Serica. Please go ahead. Viraj, your line has been unmuted. You may proceed with your question. As we are not receiving a response from the current participant, we will move to the participant in the queue. Our next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: Congrats on a good quarter. Just one question. Last three quarters, we have been seeing, you know, operating leverage play out in terms of opex to assets reducing. Safe to assume this would be a trend going forward or how should we look at it?

Naveen Agarwal: We do not know how the AUM is going to shape up in future. As I said, since there has been a lot of growth, both on the AUM and

the resulting growth on the revenue, operating leverage as you rightly saw has been played out. We do not know how it is going to be in future. So, very difficult to say if that is going to be the case in the next few quarters as well.

Gaurav Jani: Sure, sir. Understood, sir. That is it from my end.

Moderator: Thank you. Our next question is from the line of Mohit Motwani from Tara Capital. Please go ahead.

Mohit Motwani: Yes, just a clarification on the data points that you have given. So, the blended yield, the yield that you provided for the different asset classes. So, the blended yield, the equity mutual fund revenue comes out as 83% of the total revenue from operation. Will that be a correct understanding? Because the blended yield is 47 basis points for mutual fund segment?

Naveen Agarwal: No. So, I think the way you are looking at, you should see the net number on the alternate side, because we have given out the growth as well as the net yield on the alternate. In so far as in the alternate, the net yield as I mentioned is a 97 basis point. While in the revenue, the yields are stated at gross level.

And hence, if you calculate the based on gross, you will find a different number. But if you calculate based on net, I think that is the right way of looking at it. And the split that I gave out is the right split.

Mohit Motwani: Thanks for the clarification.

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

Lalit Mohan Deo: Yes, sir. Just to follow up on the revenue side. So, it appears that the yield on the advisory business comes around 17, 18 basis points. So, while in the first half, it was coming around 30, 31

basis points. So, is the calculation correct? And how should we see this business going ahead for the next 2, 3 years?

Naveen Agarwal: No. Yield for the 9 months on the advisory business is about 32 basis points. For, it is not really -- it is not the number that you are mentioning. It is actually 32 basis points.

Lalit Mohan Deo: Okay. And sir, how should we see this business incrementally like for the next 2, 3 years in terms of growth?

Naveen Agarwal: See, this is effectively the money which we advise. This is the funds which have been raised outside India where we are advising. -- various parameters which play with respect to the growth of this AUM, international parameters also come in. We did see a good jump in this AUM in the past period, of late, it has been flattish.

Again, it's a factor of how the market does, but it is also a factor of how does these international investors allocate their money across geographies and asset classes. So that would effectively determine the trajectory of the AUM and the result in revenue for us.

Lalit Mohan Deo: Sure, sir.

Moderator: Thank you. Our next question is from the line of Ashish Sharma from Oaklane Capital. Please go ahead.

Ashish Sharma: Yes. Just wanted to check on the yield on the alternate side. So, I know the net yield for the business is close to 90 bps. So, from an outlook perspective, do you see this yield on the PMS or the alternate piece to sort of sustain or you think eventually there would be some pricing pressure on the alternate side?

Naveen Agarwal: The one thing that we know is that unlike mutual fund in alternate, there is not any formula-based pricing. And hence, at various AUMs, technically this yield could remain the same. Now, whether

this yield remains at this level or it comes down depends on various parameters. So, we will have to see how things proceed. If you look at the past period, you would see this yield around this number itself. So, I think that is how you should see this.

Ashish Sharma: Okay. And in this clarification perspective, so the sourcing for the alternate, I mean, is the mix similar to the mutual fund or is it different?

Amar Shah: The percentage mix may vary a bit, but the approach towards customer and distribution in terms of getting the business is similar. The mix may vary a bit.

Ashish Sharma: Okay. Okay. Perfect. Yes. That will be all from my side. And congratulations once again on a good set of numbers, sir. Thank you and all the best.

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

Yash Mehta: Thank you for the opportunity. Congratulations, Mr. Shah and the team on fantastic listing and the performance that has been delivered. Sir, I have two questions. My first question is, despite your strong market power and position, you have actually not gone and renegotiated like blanket variabilization of your back book like some of the other AMCs have chosen to do. I wanted to understand how are you tracking this decision? How do you think about it?

You are in a position to do it. Is it that you have not exercised that thing? So, I was just trying to figure out why the reluctance to do it because we have clearly seen feedback from the larger distributors that your other peers in the top five, top ten AMCs have chosen to kind of go for some of those renegotiations. That is my first question. I am happy to take the second question later or can continue right now if required?

Naveen Agarwal: Go ahead, Yash. Give me the second. Let us know the second question also.

Yash Mehta: Sir, the second question is in terms of your operating profit margins, you obviously are industry leading at 37 odd bps. How should one think about, let us say, maintaining this operating profit yield or in terms of the internal KPIs that the board would have, would it be more driven at absolute operating profit growth, maintaining the yield, the ROE, just in terms of maximizing for a certain variable, what is that variable? That would be my second question?

Naveen Agarwal: So, on your first question, Yash. The way we do our distribution commission pricing is on marginal TER. So, which effectively means that we look at what is going to be the TER that we would get on the new phase which is going to happen in the near future. What is it that it would earn us and then decide how much of that we could pay as commission to the distributors.

It is not based on the average TER that we are earning on our book. And hence, by this methodology, this approach, it is automatically ensured that every money that we get, we know what is it that we will earn and how much we are paying. Hence, the likelihood of us going and correcting the commissions of the past is less in our case.

It is actually not required through this formula. On your second point on operating profit margin, frankly see there are various levers here. You mentioned 37 basis point is what we are getting. As you could see, this would depend on the revenue mix between mutual fund and alternate.

It would also depend on within mutual fund, the component of equity vis-a-vis other asset classes. And it has just so happened that this number has been around this for us for some time. It is not that we are looking to target a particular number or trying to

be at this number. We are trying to optimize every business vertical that we have.

We are trying to be equally focused on all of them. The operating margin which comes, which is 37 basis points for this quarter is an output. And in future also, when we work on all the levers, output would be whatever it will be, but we are not working towards a particular number of basis point on this.

From a board perspective, I believe the direction to us is obviously on an operating PAT. And that is the number that board typically reviews us at and that is one number and we are not looking at a particular basis point. But what is our operating PAT on a quarter-on-quarter basis, that is something that we are mindful of.

Nimesh Shah: The board is conscious of two numbers that we have two. One is our fund performance and how the fund performance is going. And second is vis-a-vis the fund performance. How much do we sell in the market? What is the percentage market share? If INR100 is sold in the market, how much do we share on that? That is the market share we are talking about.

And the third is that it should be profitable. So operating profit is a very, very important metric. Internally, we would look at operating profit and not total profit, because total profit also has an element of other income, which I have discussed with a lot of you. So these are the three parameters. Fund performance, how much do we sell given the fund performance and what is our operating profit.

Yash Mehta: And sir if I may ask a follow up to that, and good to listen to you Mr. Shah, would be the fact that the second point that you mentioned is not a publicly disclosed figure, what does that number usually, what is the expectation like a ballpark is good enough?

Nimesh Shah: What expectation? Which second number?

Yash Mehta: Sir you said there is a further net sales, industry net sales, what share of industry net sales is generally targeted at your end?

Naveen Agarwal: So Yash, our endeavor is that our net flow, net sales flow share should be higher than our AUM market share.

Yash Mehta: Okay. Fair enough. Fair enough. Perfect. That's all from my side. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, we will now take one last question from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

Gaurav Jani: So thanks for the follow up. Just one clarification, the split between revenue, right. So what I understand what you mentioned is the total revenue is INR1,515 crores minus the PMS AIF expense of INR109 crores, right. That comes to about INR1,406 crores, that is to be split between 93.7 and 1%, right?

Naveen Agarwal: 92.7 and 1, yes.

Gaurav Jani: Perfect, sir. Thank you, sir. That's it.

Moderator: Thank you. I would now like to hand the conference over to Mr. Naveen Agarwal for closing comments. Over to you, sir.

Naveen Agarwal: Thank you, everyone. We appreciate the interest shown by the analysts and the investor community today on the call. I wish to thank all of you. I wish you all a good evening. Thank you. Thank you.

Moderator: Thank you. On behalf of ICICI Prudential AMC Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.