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Subject: Q2 H1 FY23 Earnings Conference Call Transcript

We are enclosing herewith copy of the transcript of the Company's Q2 H1 FY23 earnings conference call dated 14th October, 2022. The transcript is also available on the Company's website at <https://anandrathiwealth.in/>

This is for your information and record.

Thanking You
Yours faithfully
For Anand Rathi Wealth Limited



Nitesh Tanwar
Company Secretary and Compliance Officer

ANANDRATHI
Private Wealth. uncomplicated

“Anand Rathi Wealth Limited
Q2 H1 FY2023 Earnings Conference Call”

October 14, 2022

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MANAGEMENT: MR. FEROZE AZEEZ – DEPUTY CEO
MR. JUGAL MANTRI – GROUP CFO, ANAND RATHI
GROUP
MR. RAJESH BHUTARA – CFO, ARWL
MR. CHETHAN SHENOY - DIRECTOR AND HEAD -
PRODUCT AND RESEARCH
MR. VISHAL SANGHAVI - HEAD IR

Moderator: Ladies and gentlemen, good day and welcome to the Anand Rathi Wealth Limited Q2 H1 FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the belief, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Feroze Azeez, Deputy CEO. Thank you and over to you, Sir.

Feroze Azeez: Thank you Rutuja. So, good afternoon everyone. Thanks to join us for the Earnings Conference Call of the quarter and the half year ended 30th September, 2022. I am joined with, Mr. Jugal Mantri, our Group CFO; Rajesh Bhutara, who is our CFO; Vishal Sanghavi, who is our Head IR; Chethan Shenoy, Director and Head- Product and Research; and we are also joined by the SGA team which is our Investor Relations Advisors.

Let me begin with sharing a piece of good news from our perspective. In the recently published report by AMFI for the financial year FY '22, we were ranked among the top three non-bank mutual fund distributor as per gross commission and over the previous financial year the growth in the mutual fund trail revenues was almost about 72%. And in the B2C category, we were the highest, if you exclude the aggregator B2B business models.

Now coming to the strong performance we've had in this half year, not just on the flagship business, but on all three of the businesses including the Digital Wealth and the Omni Financial Channel Vertical as well. Our flagship business, Private Wealth grew by about 15% year-on-year on AUM, in-spite of a very lackluster market and a 3% downtick on Nifty over 30th September both years and a 9% increase quarter-on-quarter on the AUM.

On the back of huge penetration into the wallets, especially during sideways movements or bad markets and uncertainties, we are able to establish our credibility as a wealth outfit much better during bad times. So, penetration has resulted in AUM increase and also clients refer you more clients when their friends are struggling with other managers. So that's why, our net mobilization numbers have doubled when compared to the same period previous year.

So, it gives us immense confidence during sideways movements and not such great times and more volatile times if you are able to do well and during good times the AUMs also increase because of the market movement and also due to the sentiment where people want to invest more money. So bad times, penetration and references become higher and other two growth verticals do very well during great times. So both – two correlated variables help you during opposite times. So that's why you see almost about 106% jump in our net mobilization numbers for the first half year.

And of course, you would have read that we had a great increase in our client base in terms of year-on-year, we've had a growth of 19% in terms of client addition and we are inching towards our target of 10,000 Crore families in a calibrated fashion and the pace of client addition is seeing a very sharp tick as well.

On the Digital Wealth vertical, the AUM has increased by about 23% to Rs.949 Crores which is a business which helps us standardize and scale it using the help of technology, also helps us be embraced with the changes in technology which can be there in our business on the Private Wealth side as well. And clients have grown by about 14% year-on-year to 4,065 clients in the Digital Wealth vertical.

The OFA business is a strategic extension for capturing wealth management landscape to service retail clients through mutual fund distributors by using a SaaS platform or providing them technology platform. As on 30th September, we had close to about 5,500 mutual fund distributor associated with us with asset under administration and reporting of about Rs.85,900 Crores, which we currently only monetize as a subscription fee, but later in the life of this business when we find appropriate could be an important monetizing tool. So, I personally think that. I will stop here and I'll request Mr. Jugal Mantri to say a few words and take us through the financial numbers as well.

Jugal Mantri:

Thank you very much Feroze bhai. Good afternoon to all. Let me also first begin with the happy note to share that the Board of Directors has declared an interim dividend of Rs.5 per equity share which is 100% of the face value. This is in-line with the company's endeavor to regularly reward its shareholders.

Despite all the external challenges, the company and its subsidiaries have boosted strong performance for the quarter and half year ended September 2022, backed by an overall improvement in operational efficiencies. Our consolidated AUM as on 30th September, 2022 stood at Rs.35,842 Crores which registered a growth of 16% Y-o-Y and 9% Q-on-Q. Our consolidated revenue for the quarter ended 30th September 2022 stood at Rs.138 Crores as against Rs.104 Crores in Q2, FY '22 registering a growth of 33%.

While revenue for first half in financial year 23 stood at Rs.272 Crores as compared to Rs 202 Crores in the previous first half of financial year 2022, registering a growth of 34%. Our PBT for the quarter stood at Rs.58 Crores, registering a growth of 40%; whereas PBT for H1 FY '23 stood at Rs.110 Crores, registering a growth of 37%.

Our PAT for the quarter stood at healthy Rs.43 Crores registering a growth of 41% as compared to Rs.30 Crores in Q2 FY '22. PAT for H1 FY '23 registered a growth of 37% and it stood at Rs.83 Crores. PAT margin stood at 31.1% in Q2, FY '23 and 30.4% in H1 FY '23. EPS, earning per share for Q2, FY '23 stood at Rs.10.3 per share and for first half FY '23 stood at Rs.19.8 per share, registering a growth of 41% and 37% Y-o-Y respectively.

Return on equity for first half ended 30th September, 2022 stood at a healthy 43% which was 41.7% in financial year FY '22. Another area where we witnessed strong momentum was the addition in number of client families. We have added almost 1,250 client families compared to same period last year. Our total client families as on 30th September 2022 stood at 7,928. In the last 12 months we have added 37 relationship manager on the net basis. We continue to remain

optimistic about the business potential and will drive towards our vision, while assisting our clients achieve high quality experience in the journey of wealth solution.

With this we will now open the floor for questions-and-answers. Thank you. Over to you Rutuja.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchstone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Rohan Mandora from Equirus Securities.

Rohan Mandora: Congratulations on good set of numbers. So, my first question was on the gross enclosed, if you could share what was the gross enclosed for the quarter and split it across equity debt MF and the primary and secondary MLD issuances?

Feroze Azeez: Gross or net you mean?

Rohan Mandora: Gross. Gross and net both essentially.

Feroze Azeez: We only look at net because mutual funds when they exit one fund and they're recalibrating their portfolios to our model portfolio there could be very large gross numbers, right? In a mutual fund, if I have five schemes, which I'm changing three then the gross number will be very deceptive. So net number, I can give you some color on that and gross number is very, very distorted. Does that answer? Of course, from the MLD standpoint gross numbers and net numbers can be given to you and I'm sure Jugalji and Rajeshji will be able to add there.

So now coming to the net number which is almost about Rs. 2,500 Crores for the first half year, a large portion of that which is almost two-thirds of it, goes into equity mutual fund because we believe that when markets fall and if you've seasoned your investors to expect a market fall because that's the nature of the beast, they don't look for reasons for the fall, but they are in a hurry to actually take actions.

So last six months markets average has been lower than they were in the previous six months. Hence, we had a net mobilization, largely in the equity mutual fund side, of almost about Rs.1,500 Crores to Rs. 1,600 Crores. And from an industry standpoint, if you leave SIPs out, the total net mobilization in the equity mutual fund has been Rs. 79,000 Crores for the first six months and if you leave the SIP number of average Rs. 12,300 Crores then the total net mobilization in terms of lumpsum which is the business we are in, unlike several other aggregators was total about Rs. 6,000 to 7,000 Crores out of which Rs. 1,400 to 1,500 Crores or even little more, has been our market share in terms of net mobilization and gives us immense pleasure because we are buying low and creating a potential for higher return for our clients. Otherwise, it's an academic statement to buy low. Jugalji, if you may want to add a few points and if there is some gross numbers, which Rajeshji will have on the MLD side.

Jugal Mantri: No, you are bang on with the numbers, in the first half we have added about Rs.1,650 Crores in equity mutual fund and there was some exists in debt of about Rs.200 Crore, so net addition was about Rs.1,500 Crore in mutual fund. And in case of MLD there was addition of about Rs.725 Crore and small addition was there in other products to the tune of Rs.300 Crore. So all put

together, there was net accretion of Rs.2,500 Crore in the first half. The MLD gross issuance was about Rs.2,300 Crore.

- Rohan Mandora:** Okay and the split between primary and secondary business?
- Jugal Mantri:** So, its all primary. So out of Rs.2,300 Crore, largely it is primary only.
- Rohan Mandora:** Sir, Mr. Amit Rathi has resigned from the Directorship, so just want to understand the reason for the same and are we looking at replacement for him on the Board?
- Jugal Mantri:** You are aware since you have been associated with us, so Mr. Amit Rathi since last three years, he has been playing non-Executive role in Anand Rathi Wealth Limited, so he was non-Executive Director on the Board. And being decided to pursue his ventures in the financial services and to avoid any conflict of interest or overlapping he has opted to be relieved from his position as non-Executive Director. We have got 4 Independent Directors which are more adequate and as per the requisite requirement of the company's law, so we don't see that there'll be any requirement to have any addition on account of any non-Executive Director on the Board.
- Rohan Mandora:** If you can share, what would be the trail income coverage of fixed cost for total?
- Jugal Mantri:** We have seen good traction in the trail income also and as of now the trail income which is getting covered is largely about 85% of the fixed costs that get covered by the trail income.
- Feroze Azeez:** I would like to add one thing, Jugalji. So we've had a 33% increase in trail income between the same periods of the first half year this year. So the increase is 33%. Overall revenue increase is about 35%, in spite of markets not supportive. If they had supported then the ratios could have been far better. So, our internal target of having 50% trail and 50% upfront revenues from different sources remains and we are inching towards that, is what is our stance internal target of getting to 50:50. And of course, like Jugalji, you said 85% to 90% of the trail revenue covers the fixed cost, currently.
- Moderator:** Participants who wishes to ask a question, may press star and one. The next question is from the line of Dhagash Shah from Motilal Oswal Private Limited.
- Dhagash Shah:** First question is, what is your growth outlook on clients within the Rs.50 lakh to Rs.10 Crore bracket?
- Feroze Azeez:** Our focus segment is Rs.5 Crores to Rs.50 Crores of balance sheet size. Okay, so, we don't look at Rs.50 lakhs to Rs.10 Crores. If somebody has got, apart from the assets he currently consumes, the house he lives in is not counted, if the person has between Rs.5 Crore to Rs.50 Crore balance sheet size putting all assets together, then he is my target segment.
- In that segment, we think our growth of 20% -25% in client set is what is our projection from our business standpoint. Of course, the pie is expanding at a similar pace from this segment perspective. So, getting the similar growth number for our business should be possible, given the fact that now that we have been a listed company for close to a year, it creates a perception or at least creates a basic governance kind of a mindset and that helps you acquire more clients. So, 20% to 25% growth in the target segment which we currently operate.
- Do we mandate a client to start with Rs.5 Crores? The answer is, no. We start them with Rs.50 lakhs to a Rs.1 Crore as well. Because if we are able to deliver what's the expectation we are

creating in the minds of the client over a period of time, he gives us a larger wallet share because we are very mathematical, when it comes to giving our advice.

Dhagash Shah: And sir, what would be the cost of AUM acquisition in this bracket versus the above Rs.50 Crore bracket?

Feroze Azeez: The cost of acquisition of AUM?

Dhagash Shah: I'm not looking for a direct number, but whether this would be higher than the Rs.50 core and above bracket or north. Just if you could get some color on that?

Feroze Azeez: See the cost of acquisition an AUM addition is negligible. I don't have a separate acquisition engine which acquires the client. So, RMs are the person who take references from existing clients and I don't pay existing clients to refer me people. But over a period of time, every decision we take, we give mathematics for our clients better prudence in terms of decision-making.

For example, now if somebody said that he has got 40% of his money in real estate, I would compute the per annum return of his real estate portfolio, which he would have never computed. None of us, as Indians compute what is the per annum return of a real estate portfolio and still have half our money is there, quite a few HNIs do.

So, when I compute and show him that he has got 8% compounded return - in multiples of value, it look larger, but when he sees 8% then it is an eye opener for him, then he is putting his property on an anvil to sell, which I don't pay any cost for. And then when he sells those properties, he consolidates money with us. So, if he says, I am doing very well in mutual funds then I take a transaction dump from him and then tell him, if he followed my model portfolio, he would be richer or poorer. If he is richer, then he sells his mutual funds from competition or transfers broker code to us. So, everything is mathematical. So there's no cost which can be ascertained to asset acquisition.

For client acquisition, if you say what is the cost, I would say there will be some cost, because I do physical events as well. Pre-COVID we used to do a lot of physical events in five-star hotels where you get 200 HNIs in a room and give them a presentation. Those are now far and few between. But every event used to cost us an average of Rs.5 -6 lakhs, which in this financial year would be four or five such physical events, which could have gone up to almost 30 - 40 events before COVID. So our cost remains low, because we have done about 100 odd webinars where there are about 30 - 40 participants each as an average and there's no cost to that currently.

Dhagash Shah: And lastly, sir, how do you see the digital wealth segment scaling up, and what do you see are the key challenges?

Feroze Azeez: If you ask me the key challenges there are - to have an ever-changing technology to make sure that we not just succumbing to what market does in the digital space, because in the digital space people are focusing on reporting. We are looking at technology to create advice more than reporting, because reporting is one element of it and execution. So technology for execution and reporting has reached the epitome in the industry of fintech business.

But advice creation mathematically and using technology for that is what I think is the challenge with the industry faces. From our perspective, for us to have a digital wealth presence is to create

a standardized offering, which is what we have. We just run four portfolios, in spite of having a private wealth outfit with 8,000 families approximately, I try and fit all the clients to four portfolios, which are centrally managed and implemented in different markets. So if you speak to my Delhi private banker or RM and speak to a Bangalore guy, he is going to give you very, very similar, if not identical advice.

So if I have a standardized proposition in the private wealth business, it makes sense for me to see how I can power my RM to not manage 50 clients, but manage 200 clients with technology. So, it's always going to be a phygital model. It's not going to be a pure digital model assuming a US kind of an extrapolation to the Indian context, which is the behavioral patterns are very different. US has been investing in capital markets ancestrally, in India my dad never invested in equity.

So extrapolating the technology strategies there to this side of the world may not be as relevant. So, coming back to your pointed question on the technology side, the biggest challenge is to use technology to create advice. Our key strength has been standardization. In spite of standardization, not having a huge appeal in our HNI, it's difficult to tell him that, sir, I will not customize, I will standardize.

But finance will reach clients only if you standardize, you can't run 8,000 different portfolios and leave the judgment to 270 RMs and assume that he will get the best efficient portfolio, right? So that's our strategy. So, if I have a standardized, if I have been able to bring 270 RMs to the same page that we all give away our individuality and create similar portfolios, I am the best voice to use technology to scale, because the toughest part is to convince the client that you don't need customization.

Customization might sound fancy, it is more marketing. But finance will never reach you if you customize the portfolio, because the guys sitting there in Bangalore or in Coimbatore will not know the best finance to create risk rewards, which are efficient. It's like an asset management company saying the sales guy will be the fund manager.

Dhagash Shah: Thank you for the color, sir.

Feroze Azeez: Sorry, a longish answer to a very pointed question, but wouldn't have articulated better with fewer words from my perspective.

Moderator: The next question is from the line of Mayank Agarwal from InCred Capital. Please go ahead.

Mayank Agarwal: Hi, thanks for the opportunity. Mayank from InCred. So my first question is regarding the RM addition. Sir, you have not added RM for last two to three quarters, so what's the strategy going ahead? And in this also, what we have learned is that you also add some AMs to RMs. So, what was your plan going ahead? How many AMs would you be making RM? And how would your ratio between RM and AM? The AM would be converted into RM going ahead? And, second question is on data point. Can I get a revenue break-up between mutual fund, other securities, IT enabled and others, if you gave from last quarter? Thank you.

Feroze Azeez: Can you repeat your second question though?

Mayank Agarwal: What is your revenue break-up in mutual fund, other securities and IT enabled and others? So basically you gave the data up till last quarter?

Feroze Azeez:

Sure. So firstly, let me throw some light on the RM addition. Our RM addition strategy is going to be completely driven by how many people whom we can currently absorb and make them sizable RMS. So, over the last one year given the uncertainty, we have gone a little slow, we still added about 30 plus RMs from the AM fraternity largely, lateral hired also happened.

Currently, we continue to follow the principle of one relationship manager mentoring one AM, which has worked beautifully for us, and we have a small group of people who need to reach Rs.40 crores - Rs.50 Crores of assets and that 70 RMs is the limit we put. So if those RMs cross the bridge then I have more capacity to transfer the rest of them from the AM to the RM fraternity. So even if I delay an AMs promotion by three - four months it just solidifies and increases his chance of success when he actually transforms into an RM.

So what will we currently look at? We think that this ratio, because we are not promoted as many, there is more ripe individuals who are currently potential RMs. So you may see an inverse correlation between the RMs promoted to what can be promoted, because the rest of them have created a larger pipeline in the interim period.

And from an AUM breakup standpoint, I can just tell you conceptually and Jugalji is the best person to answer very, very pointed numbers. So when we look at a client strategy, we look at two-thirds of the money in mutual fund, one-third in MLD, and some work-in-progress, which is raw material coming for alignment into these two products largely, as we recommend only these two, three products today, including debt - equity mutual funds and MLDs.

So you would see a very similar proportion. It's not academic that these proportions are not being followed at the marketplace. So that's why you will see almost about Rs.18,000 Crores Rs.20,000 Crores of mutual fund assets. About Rs.9,000 Crores Rs.10,000 Crores of MLDs and there is a lot of money, which is work-in-progress which first moves to our DMAT account and then we align it to our strategy where the client gets efficiency as the prime driver and decision-making criteria. Jugal sir if you may want to add a few things and give pointed number?

Jugal Mantri:

I think what you said is that in terms of the relationship manager edition, one thing is, which is absolutely clear is that besides 271 relationship manager, we have had a strong force of 265 account manager and as you rightly said that the addition to the RM fraternity that is graded process, and these people are upgraded and added to the RM fraternity over a period of time.

So just to answer what Mayank has asked to reaffirm that we have got a very, very strong force, which is up for elevation in next 18 to 36 months time, and that itself has got the potential to double our RM force to almost 500 plus number of RMs.

Moderator:

Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal:

Good afternoon, everyone and many congratulations for a good set of numbers. Jugalji, just I wanted to understand better the MLD gross inflow number that you shared, you said Rs.2,300 Crores is the number for the first half, and if I recollect rightly in the first quarter it was Rs.1,500 Crores. So for the second quarter I will talk about Rs.800 Crores of gross inflows in MLDs?

Jugal Mantri:

In the first quarter the gross issuance was Rs.1,100 Crore and in the second quarter it is Rs.1,235 Crores.

Devesh Agarwal:

So what is this Rs. 200 crores of secondary issue?

- Jugal Mantri:** Out of Rs.1,100 Crores, Rs.350 Crores was secondary issue, right. And this quarter, the secondary number is Rs.180 Crores.
- Devesh Agarwal:** So broadly the yields that we are getting this time is around 7.5% on the entire MLD portfolio?
- Jugal Mantri:** Yes. Around that.
- Devesh Agarwal:** Around that? Right. Perfect. And sir secondly basically in the past, you have said that first half is relatively weaker compared with...
- Jugal Mantri:** The yield which was about 7.5% in the first quarter that is around 7% in the Q2 on MLDs.
- Devesh Agarwal:** Sir, generally you had said in the past that our first half is relatively weaker and second half is much stronger, and we have already achieved Rs.83 Crore of PAT in the first half versus our guidance of Rs.155 Crores for FY '23. So, is it this time you think that the 2 half will be equal or you are looking to upgrade your FY '23 guidance?
- Jugal Mantri:** So, I don't see any reason that second half will be equal. Historically, what we have seen that holds true and I am sure that the second half will also move in the similar fashion as it has happened in the past also. And as far as guidance is concerned, we have already achieved 50% to 53% of the guidelines which have been given on the profitability front.
- But internally, our belief is that as long as your performance or the likely performance if it is in the range of 10% of the guidance given, though it can be 5% to 10% of over achievement, let the guidance remain same instead of keep-on tweaking number on every quarterly basis. So that is why we are sticking to the guidance, which have been given in that beginning of the year.
- So just to reaffirm that the guidance which we have given, we are still holding that, and we don't see any reason to believe that this year's second half will not be in line with what has happened in the history.
- Devesh Agarwal:** Thank you so much and all the very best
- Feroze Azeez:** I would like to clarify one thing. I is a very important thing. See when you said yield is 7.5%, like Jugalji said, yield is 7% and yield is a number, which generally in our business is referred to the per annum income of a specific instrument, okay. So, when you look at an upfront of something, which is a five-year instrument if I calibrate the yield on the average market value of all the thousand odd products, which have matured is about 1.17% per annum and that will be yield. Yield is always per annum generally.
- So annualized yield, what happens in a mutual fund, like, for example I fund my 11 mutual fund model portfolio, which I buy for myself and most of our clients end up buying the same 11 mutual funds. I make 1.11% post GST. With that 7% number, it might make you believe that you're earning more on MLDs, if your mutual funds commissions are on market value, face value recognition of 7% is on face value.
- If the product gives you a 13% IRR, then if you have to look at the average market value, because 92% of our MLDs, which have matured have given the desired coupon, none of them have ever lost capital in spite of 1,024 maturities being done from December 2012, we have based issuances.

So point I'm trying to get to is, anybody looking at our business thinking that yield of MLD is 7%, may be looking at that is not the yield. Now when I look at bond portfolio, bond yield, mean the per annum yield at the purchase price in the secondary market. So that's what I wanted to clarify, our curiosity work backwards to find out the thousand maturities, what did I end up making per annum? So tomorrow if I don't want to do an MLD, an equity mutual fund will give me the same yield, it's only accounting difference from an upfront to a trail basis.

Devesh Agarwal: Yes, that is very clear. Just wanted to know one more thing, the average duration of our MLD is now five years, what we are selling?

Feroze Azeez: Yes. So what we have is, all our decisions are driven by client objectives after COVID and given the where market reached, we thought that an MLD, which is a three-year MLD has a lesser probability of success, because the two-year additional and that's why August 2020, we did a lot of mathematics and realized that even if one year gets wasted in a five-year product, you still have four years to achieve your targets on NIFTY, because these are NIFTY linked MLD.

If I take a three-year product and like you see the one year got wasted, last October to now, market has not done anything. So, if I buy a three-year product, then I have to make up for the lost ground in two years. So, the probabilities of success for my client goes up as five years, that's why it's five years. It might optically look at I wanted to make more money upfront is why it is five years, so I'm clarifying it, everything in our company emanates from client objective.

Devesh Agarwal: Thank you so much

Moderator: The next question is from the line of Nirmal Bari from Sameeksha Capital.

Nirmal Bari: Thanks for the opportunity. Congrats on the very good numbers. So, my first question is that, 11% to 12% of our AUM, which shifts in others. So, what is that and what kind of revenue do we generate over there?

Feroze Azeez: The others could be PMS transfers. We don't recommend PMS, because we are mathematically seen efficiency doesn't happen in PMSs because of the higher standard deviation. But the client has PMSs, so I take a broker code transfer and then if it is PMS's there is revenue, it comes to me.

If it is tax free bonds, which are work-in-progress, if it is stocks, which are work-in-progress, those are the three large categories in the others, which we take as raw material to converge to our strategy because when I meet a client, he has a Rs.5 - 7 Crore balance sheet. He says, okay, I give you Rs.1 Crore, which is liquid. I have Rs.1 Crore mutual fund, I'm transferring broker code to you, but the other Rs.2 Crore is sitting in the Demat account take it. I have one PMS, I can transfer it to you. I have insurance policies with different people, exit them over a period. So that's what is my work-in-progress, W-I-P.

So coming back to your pointed question, what do I earn on it? There are three different categories largely, out of its direct equity and tax free bonds, we don't earn. In PMS transfers, we start earning from day one, unlike in mutual funds, COBs, Change-of-Brokers don't give commissions from first day, PMS's do.

So it's reasonably different. But Yes, that's still work-in-progress. And that goes back to my specific yields of 1% - 1.5%, which I make on these two products, plus the debt mutual fund, which gives us 40 paisa, 50 paisa trail.

Nirmal Bari: And the second question was on the quantum of MLD, we did about Rs.2,300 Crores of MLDs. Now, if I look at our AUM of roughly Rs.35,000 Crores and 30% of that being in MLDs, that's Rs.10,500 Crores. Now, with average five-year kind of maturity, I'm simply dividing it by the annual rollover, just the rollover part of it would be about Rs.2,000 - Rs.2,100 odd Crores and then whatever the growth be on it. But in the H1 itself you've done Rs.2,300 Crores, so is there a risk that in H2, the quantum of MLDs would be significantly lower?

Feroze Azeez: In fact, the maturities are very, very healthy, let me not put a number to it. So, what happens is, whatever you issued three years back is not coming back as capital, it's coming back with an appreciation. So, if you ask me how is our maturity pipelines over the next few years? Very, very healthy.

Second, what kind of proportions do clients rollover? When we had done it during IPOs, it was 78% of our clients are repeat buyers. Does that continue? Does it become stronger with credibility? We have improved credibility further because we have been issuing for 10 years. So, 10 years to say that I have been issuing for 10 years, I have finished 1,000 maturities, which might be the largest, I don't know the number, but one of the largest issuances plus maturity, the credibility increases. So repeat buying becomes more and more solidified.

Unless, I tell him to put 5% as a company into equity mutual fund, which we did last year, money get rolled over as per this gaps, which are there in the products, which we do as the decision-making criteria. Somebody has given me Rs.100, or if you have a balance sheet of Rs.100, if you have decided Rs.55 goes into equity mutual funds, Rs.30 goes into MLDs and Rs.20 goes into debt, or Rs.10 goes into debt, anytime he has fresh funds, the allocation happens as per the gap in the decided allocation. And that's how straight jacketed advice in our company has gotten.

Feroze Azeez: Jugalji, please feel free to add whatever you want to add.

Jugal Mantri: Yes, perfect. I think Nirmal must have understood that, when you are talking about the MLD value, whether it is Rs.9,000- 9,500 Crore as of now, the book which is there. And as Feroze bhai has told that, even if you take a mean appreciation of 60% on the AUM, in the next five years your Rs.10,000 Crore which can become Rs.16,000 Crore.

And now if you divide by five, you will see that annual issuance, even if there is a rollover of 90% to 95% of Rs.3,200 Crore annual maturity which could be, that can translate into the assured business of around Rs.3,000 Crore new MLD insurance. Is it clear Nirmal?

Moderator: Does that answer your question, Mr. Nirmal? Your voice is breaking sir. As there is no response on the participant, we'll move to the next question which is from the line of Senthil Kumar from Joindre Capital Services Ltd.

Senthil Kumar: Good afternoon, sir. Thanks for the opportunity. I want to understand the management's outlook on AUM guidance of Rs.39,000 Crores for FY'23. Though in the first half of FY'23, AUM increased by 16% to Rs.33,842 Crores, I could see 17% drop in private wealth AUM inflow in second quarter on sequential basis. And another thing is, now only 14% incremental AUM

guidance is achieved in Q2 of 2023 against the 27% in 1st quarter. So on back of this, is the management confident of achieving AUM target in the second half of 2023?

Feroze Azeez: So let me take that. Okay. So Jugalji you want to add something first?

Jugal Mantri: No, no you can go ahead, I'll add it. No issue on that.

Feroze Azeez: See, our AUM addition comes from two sources, right? One is the new money you bring in and the change in the market value of the underlying Rs. 35,000 Crores approximately, right? So, over the last one year, the mark-to-markets have not been a huge contributor. Average they end up instituting over the long term of 10% to 12%, since you have not got support from there is why you are at 16% AUM growth.

Are we confident to achieve the guidance on the AUM bit? Very, very confident. Of course, not if the market fell to by 20% right? Because it has two components. But are we confident to add similar numbers in terms of net mobilization for this six months and for the next 10 years and growing?

So because there is an element of external variable which will dictate the AUM, net mobilization which is fresh money we think will become better in the second half from the Rs.2,500 Crore. So, our internal target for the first six months was Rs.500 Crores per month. Of course, we marginally fell short to Rs.2,500 Crores. The target continues to add. So, if the markets don't disappoint extensively, we should most likely meet our AUM guidance. Jugal sir?

Jugal Mantri: No, I think you have very aptly answered that we should not look at the AUM which is driven largely from the Nifty performance. Reason being, in case if you look at the AUM on say 17th of August, when market is around 17,900 you will find that the AUM is up whatever we have been discussing it is higher by another 4% to 5%.

So as you rightly said that, the Nifty which was say around 17,500 on 31st March and it is almost 2.5%, 3% down compared to that. In spite of that, in case if we have achieved the growth in AUM besides taking any credit on account of the average appreciation in the equity related portfolio that is quite impressive and once that gets factored in definitely will be much more than the target or the guidance which has been given by us. Is it clear Mr. Senthil?

Senthil Kumar: To achieve an AUM guidance of Rs.39,000 Crores, in the first half we have achieved Rs.35,843. So remaining balance amount of second half we have to achieve Rs.3,157 Crores of AUM. So, in this Rs.3,157 Crores, how much the proportionate mix between the two components as you said, new AUM inflow and market movement? The breakup between the two component, how much the management is expecting from this?

Feroze Azeez: See, like I told you, our internal target for this year is to bring Rs.500 Crores of new money every single month. Market movement can sometimes give you a fillip. Unlike the last quarter, market didn't give you a fillip because we ended, because AUM is a picture, photograph, right? But the new money you bring is like a movie. It's a continuous variable.

So to answer your pointed question, I told you our internal target in terms of the fresh money which need to come on a monthly basis. So, if that's 6 x 500, that's 3,000. That's our internal target to add new money.

Now whatever is the differential, we have to hope and pray that the market movement or the value of the MLDs also go up, debt also goes up. So overall, client portfolios, if they grew by 6%, 7%, 8% also this financial year, we will be able to meet that number. And anyways, AUM, is the most fluid number. And as you look at a five-year investing, four-year investing, our AUMs are best poised because we are now in the non-bank B2C category, we are the largest equity mutual fund holder with some as of now. That's what CAMS data tells me.

Now we have a target of capturing in the next few years or even a decade, a 3% to 4% of the market share of the entire equity mutual funds in India, will we get it linearly? The answer is, no.

But today from whatever we have as a market share on the equity mutual fund, which is close to a 1%, we want to take that to 3- 4% because that's what we want to master in, right? The equity mutual fund because we don't do PMS, we don't do AIFs, we don't do private equity, we don't do unlisted stock, we don't do REITs, we don't do InvITs because all those I don't buy myself. So, I don't give it to my clients.

So our focus on AUM addition is going to be paramount. And of course, the fluidity because of its mark-to-market nature is why I am not giving you a pointed answer, but I have definitely given you my internal target to achieve on the net mobilization.

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

Lalit Deo: So sir on the switch which we have done in this quarter, so could you break it down between the Group Company issuances and the Edelweiss issuances, like how much would we have distributed?

Feroze Azeez: So let me tell you whenever we launch a product, we approved them in October, November last year. So in few months where we had the product, five, seven, eight months we have done, one or two months we have not done their issuance because there is a name change from Edelweiss to the PAG Entity and we were waiting for that whole thing to happen. We are very selective about which issuer we take, that's why for the last three, four years we had no issuer other than the internal one, sister company which is ARGFL.

So, the ratios were as much as one-third - two-third. Two-third internal, one-third external, that's the approximate weightage between the two issuers which we had. So, from zero external to one third external or even 40% in a few months, is what the conceptually the order of magnitude numbers were.

Lalit Deo: And so in last quarter you had highlighted that the employee expenses would typically range about 45% of the overall revenues. But however, in this quarter it has further improved to about 43%. So just wanted to understand from the trajectory from here on, so would we be see that this number could further improve or like what should be the outlook on the spent on the employee expenses?

Jugal Mantri: We are working on a operating leverage ratio of about 1.8. Okay, so wherever you see that the revenue goes up, the cost will have the positive impact on the cost. So, this number was -- but the broad range will remain say, between 42% to 45% that would be the employee cost range.

In case, if we have the similar quantum jump in the revenue, definitely there could be some improvement on that cost front, but that would be very, very marginal.

Moderator: Thank you. The next question is from the line of Pallavi Deshpande, an Individual Investor. As there is no response from the participants, we'll move to the next question which is from the line of Rohan Mandora from Equirus Securities.

Rohan Mandora: In terms of new flows that we had got, what proportion of that was coming from new clients that were acquired during the quarter?

Feroze Azeez: Sure, I can tell you the approximate number. When we acquired close to 150 clients a month, the average ticket size which people start with is Rs.80 lakhs to Rs.90 lakhs. So I'm just telling you approximate numbers. So maybe one-third from new clients and two-third from existing ones. Does that answer your question?

Moderator: Thank you. As there are no further questions. I would now like to hand the conference over to Mr. Jugal Mantri, Group CFO for closing comments.

Jugal Mantri: Thanks Rutuja and all the participants for your active participation. I will take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with our IR Head, Mr. Vishal Sanghavi or our CFO, Mr. Rajesh Bhutara or Strategic Growth Advisors our Investor Relations Advisor. Lastly, on behalf of the management, I would like to wish everyone a very Happy Diwali and a prosperous new samvat year to each one of you in advance. Thank you very much.

Feroze Azeez: Thanks Jugalji, Rajeshji, Vishalji. Chetan. Bye.

Moderator: Thank you. On behalf of Anand Rathi Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.