



“Computer Age Management Services Limited Q1 FY-22 Earnings Conference Call”

August 11, 2021



**MANAGEMENT: MR. ANUJ KUMAR – MANAGING DIRECTOR
MR. RAM CHARAN SESHARAMAN – CFO
MR ANISH SAWLANI, INVESTMENT SERVICES OFFICER**

**MODERATORS: MR. NISCHINT CHAWATHE – KOTAK INSTITUTIONAL
EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the 1Q FY22 Earnings Call of Computer Age Management Services hosted by Kotak Institutional Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nischint Chawathe from Kotak Institutional Equities. Thank you and over to you sir.

Nischint Chawathe: Good morning. Welcome to the 1Q FY22 Earnings Conference Call of CAMS. To discuss the financial performance and business updates we have with us this morning, Mr. Anuj Kumar – Managing Director and Mr. Ram Charan Sesharaman – Chief Financial Officer. I would now like to hand over the call to Anuj for his opening comments.

Anuj Kumar: Hi, good morning everyone. And thank you Nischint. Welcome everyone to the earnings call the 1Q earnings call of CAMS. And I have here myself, Ram Charan who is our CFO and Anish who is the Investment Services Officer. We have had a satisfactory quarter you would have seen the results by now. And overall in our core business, in the mutual funds market, all operating metrics seem to have shaped up well in the month of April, May and June. Although there was an overhang of the second wave of the pandemic, which manifested itself in some contraction in transaction volumes especially the chargeable paper transactions, and a lot of contraction, and especially in the month of April and May in sales and investor interaction activities.

Overall, it was a pretty strong quarter and what I’ll do is, I’ll take you through this presentation, I’ll continue calling out the charts, just so that you are able to follow the flow. So, as you can see from a from a business continuity perspective, given that the second wave of COVID hit us in April and pretty much lasted all through the first quarter. We were able to manage the entire rhythm of expanding, working from home, a second round of shutting of some of our front offices. And this time, we were a lot more select, but we had to shut those locations where the government authorities asked us to shut, or the offices were in containment zones, so our employees strength was afflicted and therefore we could not open. So, it wasn’t as bad as 1Q last year, but it was very severe, just taking the intensity of the second wave.

Overall, in 1Q our transaction volumes touched the historic highs. So, this is the highest number that we’ve seen ever of about 87.5 million or which over 16 million is investor and distributor-initiated transactions. including pre-scheduled, pre-ordered kind of transactions like SIPs.. We had launched the edge 360 Distributor utility app in March of 2021. , It had about 10,000 downloads in the Play Store. And registered distributors ,the ones who participate, touched 40,000. The account aggregator business which is still not officially launched, but which is going through almost like a beta phase is getting traction and we have 18 FIUs , who will solicit information basis a consent coming from the investor an , who officially signed up with us.

CAMSPay which is our payment aggregator services, continue to expand both the product suite and transactions. And transaction volumes for the first time ever crossed 10 million every month.

So, that was a nice milestone. You're aware that we've been working on the Franklin Templeton transition where we did the contract signing in July of last year. So, we have gone live in the month of July, which was outside the quarter, but still it's worthwhile mentioning it here. This was the first instance of significant rebadging of staff that we did in CAMS. And the operations have gone live in Chennai and Hyderabad and the operations continue to stabilize.

We have launched our Aadhaar based eKYC based on OTP. This was launched sometime in the previous quarter now integrated with multiple digital platforms, mostly of the asset managers, and is helping in a significant way do seamless onboarding of mutual fund customers.

myCAMS as an individual household kind of mutual fund app and utility had crossed 4 million unique investors. So, we saw as investors who were slightly constrained in terms of either meeting their advisors or doing anything in the physical world continued to flock towards this platform. In myCAMS we saw peak logins which is instance of some individual investors come in, and logging in once a many times in a day across 2.5 lakh.

Our CRA business was officially announced in March, 21 and then we received the license. We continue to work on the product development and progressing well for end of December kind of a launch. And then as part of the ease of doing business committee of SEBI, you may have read a lot of new platform. That unified platform is now in the design and build phase and will be launched shortly, which will create a unique utility giving the benefit of unified processes across several AMCs or across the entire spectrum of AMCs. And therefore, for an investor to get serviced in various formats on a single platform across a set of mutual fund holdings will become much easier. And this will result in significant ease for the investor, reduction in any operating pain or delays that he goes through and will elevate the pitch for the entire industry.

So, these were the key business highlights for the quarter. Chart number #7, I'll cover the Franklin go live in brief. As I said, it is a very large people migration and the single largest migration ever in the mutual fund industry, which was completed in this entire COVID phase. The LOI came to us in March last year just prior to COVID and then we concluded this whole thing at the end of wave two and went live on 19th of July, 21. So, through the onerous challenging circumstances, we were able to get this entire thing together. Franklin teams were to be housed in offices in Chennai and Hyderabad. So, we set up an office, although we were present in Hyderabad through our own front office, but we did not have processing staff which has now commenced, so we've set up our office there. And managing significant complexities in terms of processes, design of platforms, practices, systems, data interchange, API, there was just a lot of work to be done, on all those fronts.

Despite the fact that we perform, the RTA work and, operations for almost 70% of the industry, we did see that there was some things to be smoothed out as we went live with Franklin, so all

of that happened and we're very happy to share with you that that's one more very significant addition to the client suit that we've built very assiduously over the years.

Just in terms of key metrics and key data all of you track the industry. So, you know a lot of this, I will not go too deep into all of this, but Industry AAUM which is the average assets for 1Q at over 33 lakh crore, or 33 trillion. CAMS service funds, this does not include Franklin yet because all of that happened in July, this is April, May, June averages at 23.1 trillion. And then you can see significant growth, whether it's an overall asset growth for the industry and for the equity segment. And then overall growth for CAMS Service Fund, so as we call it CAMS industry, overall growth of assets at over 32% year-on-year and about 3.5% over the trailing quarter, which was 4Q of last year. And similarly, expansion on equity assets very significantly expansion of almost 46% over last year and 6.5% in terms of sequential quarters which was 4Q of last year. All of this resulting into an AAUM market share of just under 70%, 69.6%, which will be slightly augmented now, and we will report new figures at the end of this quarter after the Franklin addition to the overall suit.

Net equity inflows which you know were a bit of a concern in the year 2021 remained positive in 1Q. SIP inflows grew, which is a good sign. SIP, by the way, represented a very stable book through every bit of vagary that hit us in 2021.. And then growth in total AAUM as you know was driven both by equity and debt that also has been at a very even clip marked by significant deepening of sales in the last few months period.

In terms of operational metrics, again, everything went North I spoke to you about overall transaction volumes historic high, we've never done these volumes earlier, about 87.5 million, 2% quarter-on-quarter expansion, 15% year-on-year and you will remember that 4Q of last year was also significant because the markets were returning to normal. That itself had represented a transactional high and 1Q was a further growth over that, the SIP book at just short of 230 lakh about 22.9 million. Again 15% up year-on-year very hard to thing and 7% quarter-on-quarter is just a very good metric because you know that represents a very stable monthly installment paying part of the franchise which was chosen to take a long term view in the industry and here to save and invest with the industry for many years.

Systematic transactions processed, this is largely triggers that we do 10% up year-on-year, 5% quarter-on-quarter. A lot of the new SIP book that you see 15% year-on-year will start getting triggered it depends upon when they came in. So, the transaction growth isn't as fast as the registration growth that will catch up. And then live investor folios, expanded to 41.6 million, 5% up year-on-year, 3% quarter-on-quarter. Unique investor service last quarter, which reported something like 16.7 million so almost 17 again 6% up year-on-year, 2% quarter-on-quarter. So, all of that is after five quarters just a good sign to see significantly deeper selling activity and customer engagement activity happening in the industry including in our part of the industry. I will now request Ram Charan to take over from here and go through some of the key financial numbers.

Ram Charan Sesharaman: So, I will just take you through the broad financial highlights for the quarter. Revenue was at 201.17 crores which was up 35.4% year-on-year and little less than 1% quarter-on-quarter. The revenue growth was driven by a growth in the MF business, As you know the MF business has two components one is the AAUM based or asset-based revenue and second is the non-asset-based revenue. The asset-based revenue grew at 32.7% year-on-year tracking the growth in the AAUM. So, the asset-based revenue was at 155 crores and up 2.3% quarter-on-quarter. The non-asset based revenue which primarily consists of the transaction revenue, some application revenue, call center revenue and the out of pocket expenses reimbursement that was up 60.5% year-on-year and it was down 8.5% quarter-on-quarter. If you recollect the first quarter of last year was when there was a COVID related lockdown and hence the transaction actually came to a grinding halt. So, the non-asset based revenue growth year-on-year is a reflection of the increase in transaction when compared to the earlier quarter. And overall there has been an increase in the call center and the application revenue In terms of the non MF revenue, there has been a growth of 29% year-on-year and quarter-on-quarter the growth is 1.4%. The non-MF revenue as you know will consist of AIF business, the payments business, the insurance business and some amount of sterling revenue that is our in-house software development plus we do work for some mutual funds on software development. So, that was up 29% year-on-year and 1.4% quarter-on-quarter. Just to bear in mind that we voluntarily de-selected the banking and NBFC outsourcing business in the course of the last year. So, that was not part of these numbers.

In terms of the mix, we were seeing in the course of the year, a favorable moment in the equity component. Equity, as you will know, is the highest yielding asset in our mix and this equity component went up 3% year-on-year and 1% quarter-on-quarter . Although there was depletion in the yield because of the telescopic pricing structure, that the increase in the AAUM is generally accompanied by a decrease in our fees and yield because of the telescopic price with our customers. So, this mix actually ended up mitigating some of that impact and hence when compared to year-on-year the yield was a little depleted but compared to quarter-on-quarter it was almost the same.

In terms of the revenue growth if you see the growth quarter-on-quarter was a little muted, because of two factors. One was there was this telescopic pricing related depletion yield that we generally get. Historically, if you have noted our story, there is always a lag between the pace of growth of AAUM and the pace of growth of our fees. With this combination of various factors, including the pricing discount that kicks in because of certain levels being reached, as well as the mix impact, and traditionally it's been around 70% of the increase in AAUM. So, in terms of the revenue for the sequential increase in the revenue, there was a depletion because of this factor, which is the asset, fee growth was around 70% of the growth in AAUM. And more importantly, because of the lockdowns that were on and off localized in the last quarter, the transaction revenue, the paper transaction revenue to be very precise , took a hit and that's the reason why the growth in revenue is a little muted quarter-on-quarter, although the asset-based growth the fee, tracked the usual trend in terms of increase when compared to the AAUM growth.

In terms of the profitability the operating EBITDA for the quarter was at 87.12 crores or 43.3% this is a non-INDAS 116 based calculation of EBITDA is 43.3%. This was when compared to 44.9 crores for the Q1 of FY21, that's a substantial growth over the last quarters In terms of PBT the quarter ended at 85 crores of PBT which was up 64% year-on-year the comparable PBT of Q1 of 2021 was 52 crores and was up 5% quarter-on-quarter the comparable PBT for last quarter sequentially was 81 crores. In terms of PAT, we ended the quarter at 63.24 crores which was again up 59% year-on-year and 5% quarter-on-quarter. The comparable numbers for first quarter of 21 was almost 40 crores and Q4 of 21 was 60 crores.

The return on net worth continues to be healthy at 43.3%. You would also have read that the board recommended first interim dividend of Rs.6.5 a share in its board meeting yesterday. If you look at the margin profile as such, we have been talking of a margin of around 40% over the last few quarters, and there's been a moderate increase in the current quarter. This is also attributable to the reduced revenue from low margin business, as I indicated earlier the transaction revenue which is not very accretive from a profit perspective came down drastically in the last quarter in the paper based transaction revenue that we generally accrue to our books. And so that had an impact of increasing the margins a little.

Overall it has been a very satisfactory quarter from a margins perspective PBT, operating EBITDA and PAT growing healthy when compared to the last year. We also ended the quarter with a healthy cash and cash equivalent of Rs.393 crores this amount 393 crores excludes the cash that we hold in trust which is more of an Escrow account for a ECS or a stamp duty. So, this in summary was the financials for the period. There is also, in the earnings presentation, trend chart given for the way our revenue has moved over the last five quarters, the way our operating EBITDA has moved and PAT has moved, and PBT has moved. And you would note that all of that shows an increasing trend.

With this, I conclude the presentation regarding the financials, that are detailed financials in the presentation and for you to have a look at and ask any questions. I leave the floor now open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parth Agrawal from Ladderup Wealth Management. Please go ahead.

Parth Agrawal: So, I have a question regarding business model of CAMSfinserv. So, how do you basically make money in this business, do you charge to financial information users or how is it done?

Anuj Kumar: Yes, sure. So, the way the business is designed, the users will end up paying for the services that they avail. And it is typically, I'm not saying always but it's typically a per statement download, kind of charging. The market is still kind of getting used to what will be the best charging model, but this is the way it is architected right now. It's also predicated on the fact that there will be no charges coming in to us from the providers. And the financial information users will pay the account aggregator or CAMSfinserv on a per download basis.

- Parth Agrawal:** Okay. And so what is the value proposition for the customers who are actually giving access to all that data, things other than consolidating all my holdings and financials and everything, is there any other value proposition for the customer?
- Anuj Kumar:** So, that a big value proposition from a pure information aggregation perspective, I as a user, manage all my assets separately, store them, manage the passwords, et cetera and then do the consolidation myself, I don't have a single view. So, as a user, I get a single view for a small charge that I pay. And then in terms of other usages, largely from a credit perspective, where a lender uses this information #A to create a credit decision and a credit framework upfront, and then he or she can monitor it, if I'm borrowing the money, month-on-month by drawing that financial information once they have that consent. In any other format, today when I seek a loan, I give all that financial information. And after that, the lender is virtually blind to how things are changing in my life, all of that can go away with the use of this utility.
- Parth Agrawal:** Right, okay. And just regarding CAMSPay, so do you take it for generating the revenue, do you take percentage of the transaction value or is it some flat fee model?
- Ram Charan Sesharaman:** So, CAMSPay works on two revenue models. One is as you know, there is a registration of the mandate that happens for which there is a charge. And then there is a per transaction billing also, that happens depending on the transactions that are put through the platform.
- Parth Agrawal:** And the per transaction billing is flexi or percentage of value?
- Ram Charan Sesharaman:** It's a per transaction fee.
- Parth Agrawal:** Okay. Just a final question sir, this 23 trillion includes Franklin 60,000 to 70,000 crore right, whatever you have disclosed in your presentation?
- Anuj Kumar:** Not yet. These are 1Q numbers. As I said, Franklin operations commenced in July, so it does not include Franklin.
- Parth Agrawal:** Okay. It certainly will be included from quarter two?
- Anuj Kumar:** Yes, that's correct.
- Moderator:** Thank you. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.
- Siddharth Gupta:** Sir my question is with regard to the fact that, you spoke about the revenue mix increasing from non-mutual fund services. But my key question is, what kind of growth is expected from this sector again, because again, as a stakeholder, I see that the markets have already priced in and almost an unimaginable value growth of the share price, while we are yet continuing to grow at a stable rate, which is great, so that is for our mutual fund business, where do we see our non-mutual fund businesses growing in the near future?

Anuj Kumar:

So, on the Non mutual fund side you know that the primary contributors of profit have been CAMSPay, and the AIF PMS business, insurance has been a contributor largely to revenue not so much to profit. And for the future, we find that CRA will certainly be a very exciting opportunity, although we are about six months away from launch, but working very closely with the NPS authorities to design the entire product and do a rollout and we assembling the team. And then account aggregator, although the uptake in the market has been slow, it's a brand new model and therefore, will go through a curve of acceptance across all parts of the audience. So, those are really the components which will kick in. CRA overall, the marketplace today, are estimate although there are no published industrial numbers just short of about 200 crores of industry revenue. So, at some point in time, we become eligible to participate in that, some of that participation will need displacement of incumbents. And some of that will be just new markets that we get into. And account aggregator there are various estimates that you've been reading in the press, and then various industry reports. So, that's really how it is, our endeavor is to push that metric significantly in the coming years from the 10% that we are at right now. And, I don't want to strictly start linking it in terms of how analysts are getting to the valuation that of course, is their business and they will continue doing that. But, I can give you the details from a business point of view.

Moderator:

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

Prayesh Jain:

Couple of questions, firstly on the MF business, when do the renegotiations come in with the mutual funds and how do you see the yield is moving per se not just because of the telescopic pricing, but also with respect to the renegotiations that would have happen with the deal and secondly, on the account aggregator business, you also mentioned that customers will also have to pay a charge for a small charge for a single view. So, is that right understanding that you will have two revenue models, one will be from somebody like information users and the other is also the customers who is providing information or allowing access to the information. And thirdly, on the FT thing with the kind of legal tussle it has been, do you see any incremental costs coming for you with regards to the legal issue that are happening right now, that will be my question.

Ram Charan Sesharaman:

Okay, Prayesh. I'll just take the first question on the MF pricing. And then I will request Anuj to take the second one. So, on the MF pricing, this is a general bilateral agreement as you know that we have with customers. So, the due date actually falls a different date, it's not that on a particular year, everything comes for renegotiation. So, it's kind of a depending on the contract expiry. So, this is a normal year that we expect .. the expiry happens at the end of two or three years of every customer generally. So, that happens, that's nothing extraordinary that we expect from a discount perspective which will impact the yield unfavorably than what it has in the past. In terms of our expectation of yield, while we will be difficult to predict the future, but the past trends has consistently been that after considering some price reduction, mix impact and the impact because of the telescopic pricing, we have seen for the last five and 10 years that our growth in fees has been around 70% of the growth in AAUM. That's after considering the

various factors that interplay including the mix, the negotiations, as well as the telescopic impact. On the second question on AA, I will probably request Anuj to chip in.

Anuj Kumar:

Sure. Hi, Prayesh. So, on the AA, just think of it as a user paying the fee, it's a single payment model, the user could be an individual when we are seeking all this information for personal record keeping, the user could be an NBFC or a bank when they're trying to lend to an individual but either ways it is that user that single entity that will end up paying the charges. More than that there are no other revenue streams visible as of now. So, that's point number one, point number two on Franklin, whatever the wind down schemes and other related matters need in terms of handling, that is something that Franklin is doing themselves and that continues to remain completely their remit and their scope. Of course the operating part will come to us which means, some of the payment of money, et cetera which is happening as you know through SBI Mutual Fund, all that operating part we will have to step in from time-to-time but other than that, every other part of handling the market facing part of the wind down schemes, et cetera is completely the scope of Franklin and they continue to stay in charge and manage it independently themselves. Whenever they need any help on the operational side they will come to us and we will extend all the help, but there is no change in terms of how all of that will get executed.

Prayesh Jain:

Okay. Just a follow up on the account aggregators, how different it is going to be from the CIBIL score, in the sense the CIBIL score also provides a lot of information to lenders. So, how different it is going to be from the CIBIL score because, any idea it will affect classes that are going to be merged with account aggregators that is not currently prevailed in the CIBIL score?

Anuj Kumar :

It's complementary to any credit rating score. It's complimentary piece of data CIBIL score is a score which is a single number, financial asset information by reading once bank statements, insurance holdings, mutual fund and capital market holdings is a lot more detailed dynamic, live, synchronous, in-time kind of data, which obviously will have a lot more value and in terms of making interpretations and understanding whether the person is creditworthy or not. So, it will be read together with the CIBIL score for lenders to come to smarter lending decisions. And like I said, it will be a far more real time and far more vibrant than a single static score.

Moderator:

Thank you. The next question is from the line of Devesh Agarwal from IIFL Capital. Please go ahead.

Devesh Agarwal:

Just wanted to understand, although you touched upon this in your opening remarks, the yield for the mutual fund business has kind of come off by 1% on a quarter-on-quarter basis. Now, I understand that the increasing in the AAUM yields are likely to come off, but isn't there any benefit of higher equity component in the AAUM, I though higher equity share should have led to either a flattish kind of a yield?

Ram Charan Sesharaman: Okay. So, let me take that question. So, you are right there is an increase in the equity component of the mix. So, I would split it into three parts, there are three components on what the yield is

dependent on, one is the telescopic pricing, which has a direct relationship with the growth in the AAUM, second is the mix part of it, which is what you alluded to in terms of equity and third is the price negotiation. So, if you actually look at it from a volume perspective, there has been a huge growth in the assets. So, if you look at from a volume perspective, the growth and assets itself will have a depletion in the yield, but it would have been higher if not for the favorable asset mix. So, the 70% thumb rule that we spoke about historically is after considering all the three components, hence if you see the last quarter, quarter-on-quarter the asset growth was around 3.3%, 3.4% and the growth in AAUM fees was also tracking that it was around 2.4%. So, there is not an unnatural depletion in yields that we have seen, because of the AAUM pick, the drop in revenue is more attributable to the fall in the transaction revenue that was attributable to the COVID related localized lockdowns in the last quarter.

Devesh Agarwal: Okay, understood. And secondly, on your non mutual fund business if you can give us certain more clarity among the three businesses in terms of their revenue contribution and the margin profile?

Ram Charan Sesharaman: Sure. So, as we mentioned the non-mutual fund includes the AIF, the CAMSPay which is the ACH, the digital and it includes the repository which is the insurance business, and there is some amount of our KRA and software business. In terms of contribution, there will be around 25% contribution from our AIF CAMSPay insurance and the software and KRA business. That's generally the split that we see in the revenue contribution. In terms of margin profile, AIF business margin profile is similar to our MF, it's similar platform-based revenue that we bill our AIF customers. So, margin profile is broadly similar to that of MF. CAMSPay, it's a decent margin business not as MF, but again it's also seeing some pricing pressures given the competition, but it's a decent margin business, it's although not as high as MF. Repository there is a challenge in terms of margin as you know, there's an investment phase, there is necessity for the volumes to pick up for us to see higher margins on the repository, the outsourcing part of it is a low margin business. And so, that kind of summarizes the margin profile for the non MF business. The one other things I left out with the software business, software is more of a captive business, but we do some work for the mutual funds on API's, on website, et cetera. So, that margin profile is similar to high margin software business, so this is the summary.

Devesh Agarwal: Okay, sir. And sir on Franklin migration, would there be any one time cost that we will be incurring or have incurred?

Ram Charan Sesharaman: So, the transition is happening as you probably read about, it's happening for the last more than a year. So, what we do is, as and when the fee or other cost that we incur, we kind of charge it to the P&L as and when it is incurred. And so there is no special one-time transition cost that we foresee, apart from obviously the rebadging cost and the employees coming on board would happen in the Q2. But that's part of the revenue that's coming on board also. So, one time transition costs, exceptional cost, we don't expect to see in the coming quarters.

Devesh Agarwal: Understood, and a last one. This unified platform that SEBI kind of came up with, if you could throw some more clarity on that, and whether we would be required to put any CAPEX for this or will this include any regular OPEX and will there be any contribution from your mutual funds or would that be any revenue stream from this platform for us?

Anuj Kumar: Sure. So, this platform which was announced both in the press and then you would have seen a circular come out from the regulator, emanates from a committee which was set up for the ease of doing business, like I said, because the two registers now almost manage all the (+40) mutual funds in the back offices. The emerging idea was to unify all service requests, foreigner investor who may have invested in one or two and there are investors who may have invested in 10 or more funds, to make a single request let's say for transmission of units, offer change of bank request or any of these things, and then gradually expanding to other kinds of transactions also. The RTAs have been called upon to build this platform so we are building it, right now this is being built by the two RTAs, at largely our own cost. And that's the philosophical position that the industry decide to take and we are backing it completely. Revenue opportunities will emerge, it's too early for me to talk about revenue opportunities but will emerge from this, but exactly what will they be and will it be based on transactions, et cetera, will emerge in the future. But think of it as a great utility so it will benefit the overall market, that's a big positive, it will benefit investors, ease out their lives and therefore as a derivative benefit, the participation in mutual funds and investment and exits, et cetera will become far easier as you make that all markets become more attractive.

Secondly, from an overall brand salience perspective, it is an accretive for us. And those are the two big advantages one at the industry level one at the CAMS brand level that we are seeking to get out of this. And then over a period of time, everything else will follow.

Moderator: Thank you. The next question is from the line of P K Sarkar, an Individual Investor. Please go ahead.

P K Sarkar: My question is regarding profitability of the different business segments of CAMS, with particular reference to the Franklin Templeton business and going forward, are deals like Franklin Templeton going to be strategic for the company?

Ram Charan Sesharaman: Okay, if I may just understand your question. So, your question is on the profitability profile of Franklin Templeton and the part it will play in CAMS going forward.

P K Sarkar: And the comparison with the profitability of other segments?

Ram Charan Sesharaman: So, we generally do not provide specific customer wise profitability or segment wise profitability, but I will give you a broad guidance on this. So, Franklin, the migration is happening as we speak and we are now live on July. So, what we expect over the course of the year is that we will kind of have a positive EBITDA or a breakeven EBITDA in the course of the year. So, initially, there will be this settling down and transition and additional cost that we

will incur, and the rebadging cost. So, what we expect over a period of the year is that we will break even or have a small EBITDA positive situation. In terms of comparison with the mutual fund, as I said we don't give segment wise comparison, but Franklin is a very strategic acquisition for us in terms of customer because as you know and what Anuj was mentioning earlier, this is probably the largest transition that's happened in the RTA space in the recent past, and probably ever, and this kind of increases the entire salience because as you recollect Franklin was the only in-house RTA for all the mutual funds in India. And the fact that, CAMS has been chosen for this transition and Franklin is now a CAMS customer, must speak volumes about our Salience as an RTA. So, from a strategy perspective, it's very, very important for us that this is successful and we are on the right track for that.

Moderator: Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

Nikhil Agrawal: So, I wanted to understand like what are your charges, how do you charge on the monthly AAUM or on the monthly average assets under management and secondly, what exactly is your mode like tomorrow, some other comes up can possible the transition is, I understand that is difficult to happen, but can that be possible in the near future?

Ram Charan Sesharaman: I will answer the first part of it on charging and request Anuj to pitch in on the second question on the notes. So, from a charging perspective, our revenue there is two component to it on the MF revenue, one is the asset-based revenue and one is the non-asset based revenue. The asset-based revenue is what you mentioned, we charge on the average AAUM at the end of the month based on our specific bps. The bps rate is as decided with individual customer when we enter into bilateral discussions with them. And this is depending on the asset class, whether it's equity, debt, liquid or others, and the rates are as defined in the contract and we charge or we invoice them on a monthly basis based on the average assets under management for that particular period. So, this constitutes a major part of the MF revenue, the remaining part of the MF revenue which is the non-asset-based revenue has got four, five components, but the major part of it is the transaction-based revenue we bill for the paper-based transactions, which happened through our front offices, they are in the activity of receiving the papers, scanning it, entering into the system, digitizing it, et cetera. So, there is some compensation that we bill for these activities for paper based transactions. And then we run some adjacent services like call centers for our customers and we bill them for that. And then there is the out of pocket expenses that we incur, in the course of our, discharging our duties as RTA we incur various expenses on behalf of customers and contractually we get reimbursed from them. So, this is also part of the non-asset based revenue in MF. So, this is the way the billing happens or the revenue is recognized for the mutual funds. On the notes and on the possibility of this customers migrating from RTA to another, that has been covered, but I would let Anuj pitch in on that.

Anuj Kumar: Just so that you understand, the RTA operations are very deeply intermeshed with that of the mutual fund. This is not just a providing body with people to execute processes, but the entire platform on which the work gets done, the core ERP kind of platform, transaction origination

platforms, the industry data Bureau, the API, web services, the entire CRM platform, all of that is supplied by the RTA. And that's a big chunk of value that the consumer gets. Similarly, all the inter linkages with the one lakh sellers, the many banks, the exchanges, depositories, companies, payment aggregators, fund accountant, all of that is built by RTA and the client just comes and plugs into it. And then all the deep nuanced knowledge of process, process design, risk management, compliance, reporting, and then operational day-to-day delivery of the hundreds of items that get performed on the liability side operations work. All of that is done by the RTA. It is deeply knowledge driven, knowledge intensive work. It is not like any outsourcing that you commonly see in the markets, even done by big industry leaders either Indian or global. So, if somebody wants to move away from one RTA to another, all of this has to be wrapped away, and all of it has to be created from a platform, electronic infrastructure, physical infrastructure, process and design perspective. And while none of that is impossible, it's a very complex, long drawn task and for a mature relationship to move from place A to place B, it could easily be a one to one and a half year journey with a lot of challenges and deep commitment of people and capital and cost for all of this to happen. That is the single largest mote that is there in the industry. There are of course several others, but just to answer your question, that is the largest bit of enduring value, which is not easy for any new person or even an incumbent to copy.

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

Prayesh Jain: Sir just from a margin perspective is it fair to say that we have reported peak margins in Q1 and margins will decline from here on, or given that the share of transaction based revenues will insure from Q2 onwards with lockdown opening up. Secondly, FTA will start getting integrated whereas the cost will be commenced and the margin should only decline from here on. What will be your sense to it?

Ram Charan Sesharaman: So, Prayesh as you know, we would not like to give any forward looking guidance, and this also depends on how the assets grow in terms of the non-MF business growth as well as the mix growth. So, there are various complex factors that play a part in this, but all things remaining same obviously the lesser profit yielding component of the revenue is the transaction revenue. So, from that perspective your conclusion is right, as in the more the transaction revenue as such is not very profit accretive for us.

Moderator: Thank you. The next question is from the line of Madhu Gupta from Quantum Asset Management Company. Please go ahead.

Madhu Gupta: , I just needed a clarification that CAMS have two additional revenue drivers one is that it has a monopoly over AMC data and that is utilized to provide analytic services for a fee, which I believe is what is being offered under CAMS fee, and second revenue driver is that also AMFI has outsourced maintenance of distribution database to CAMS and for which CAMS receive fees from AMFI as well as distributors and AMC, is that right, I just required a clarification that these are the two additional revenue drivers for CAMS, as compared to the peers?

Anuj Kumar: So, let me just clarify that as principles, AMC continue to own their data and AMFI owns AMFI's data. And CAMS does not own any of that, nor do we have any arrangement to monetize that in any form or shape. So, that's point number one. With AMFI, we have this arrangement to service distributors, manage the ARN issuance, and renewal process. And there are lots of related processes to that, but that's the part that we manage for AMFI from a process execution and platform perspective, we don't do anything with AMFI's data, that's AMFI's data, we sell a service and we get some revenue for that. But that's not very large, that's a small piece of revenue. As far as the AMC is concerned, there is only one format and I would not like to call it analytics, it's more like business Insights called MF desk or the MF data explorer, which is a you versus industry contrast for Indian mutual funds, because everyone both CAMS service funds and non-CAMS service funds pour in data. And we serve it back to them from a you versus industry comparison across key metrics of SIP registrations, net sales, et cetera for distributors, clusters of distributors, geographical territory bases. But again, that's a small piece of revenue, we do it mostly as an industry data bureau service, consolidating all of the data in one place, and then giving back to the industry in meaningful chunks of business insights. So, that's all we do, the ownership of data continues to remain with the principal and we do not influence that line ever.

Madhu Gupta: The fee earned is a very small amount for both these services?

Anuj Kumar: Yes, those are small amounts.

Moderator: Thank you. The last question is from the line of Dipanjan Ghosh from Kotak. Please go ahead.

Dipanjan Ghosh: So, just two questions from my side. One is on the AIF, could you mention what sort of proportion of revenues or yields you are getting into business and what is the outlook on that business. And the second is, from the standstill acquisition perspective, what is the sort of back office or front office employees you have kind of planned to add or already added and what is the kind of cost increase that you envisage for this particular business, what sort of cost increase do you envisage for the overall business?

Ram Charan Sesharaman: So, the question on the AIF, so as I was mentioning the non-MF business AIF will have an approximately 25% share of the non-MF business and non-MF business is around 10% of the overall revenue so, you can do the math. In terms of growth, Anuj was mentioning about it in the earlier slides, too. So, this is our sweet spot, this is a platform based service that we render to our AF clients in terms of RTA services. So, this is the market size is not comparable to the MF it's restricted in terms of size and also in terms of people who will want to outsource this, given in a lot of AIFs the number of investors would not justify an outsourcing for their operations. Having said that, we are introducing some new products in this line. A digital onboarding for PMS and AIF customers which is seeing a lot of traction in the first few months that we have launched it. This is especially relevant in the pandemic period where people are able to digitally onboard their entire investors and including integration with signing your agreements, getting the forms filled, integrating with your DP, et cetera. So, that product is

seeing some traction. We are very positive on the scope in terms of the AIF business it has grown at a fair clip over the last few years. And we expect that will sustain, as I said the only limiting factor for this would be the overall market size, not being as high as say an MF or other businesses. But for that, within that small base we will keep growing at a healthy pace in the next few years.

Dipanjan Ghosh: Sure and on the extreme side for the Franklin?

Ram Charan Sesharaman: So, Franklin, the arrangement with Franklin is clear we rebadged or take over their employees of the RTA services and they have all come on board as a part of CAMS payroll. And so, as I was saying, what we expect is we have onboard the employees and the revenues has also started coming to CAMS. We expect that over the period of year these things will settle down. But we don't expect a positive EBITDA to emerge in the next quarter or two. Post that we will see positive EBITDA, so the revenue and the cost should sort of be balanced over the next few quarters, the employees that we're taking over.

Dipanjan Ghosh: Sure. Sir just one follow up, what will be your AAUM, AIF –AUM?

Anuj Kumar: Just give me one second, it is about 2 lakh crores.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Nischint Chawathe from Kotak Institutional Equities for closing comments.

Nischint Chawathe: Thank you, everybody for joining us today. We thank the management for providing us an opportunity to host the call. Thank you very much, and have a nice day.

Ram Charan Sesharaman: Thank you very much

Anuj Kumar: Thank you everybody, thank you very much.

Moderator: Thank you. On behalf of Kotak Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.