



“Computer Age Management Services Limited
Q1 FY 23 Earnings Conference Call”

August 08, 2022



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Operator:

Ladies and gentlemen, good day and welcome to the Computer Age Management Services Limited Q1 FY'23 Results Conference Call hosted by Orient Capital. Today we have with us on the call, Mr. Anuj Kumar, Managing Director, Mr. Ram Charan, CFO, Mr. Anish Sawlani, Head Investor Relations. 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. Anuj Kumar, Managing Director for his opening remarks. Thank you and over to you, sir.

Anuj Kumar:

Hi, thank you, Seema and good morning, everyone. Welcome to this earnings call of CAMS. I will quickly give you a broad overview of how the quarter panned out, and then we will take you through a more structured presentation, some of you may have downloaded it already. But just in terms of the background and how the overall quarter went, as you know, it's been a slightly tough quarter. And why do I say that? That's because stock market indices saw some sustained headwinds and therefore, valuation of equity assets did see an impact. Also because of certain circumstances in the background, new fund offerings, as you're aware, did not happen almost throughout the quarter. And this did impact build out of equity assets as well as slowed some of the activities we see in the KRA Company. Despite these two things in the backdrop, there are consistent positives which played out through the quarter at the foundational level. And I will speak about the key ones and they do give an impression that foundationally it's a strong market and the right things were happening.

The first of course, is that in terms of equity inflows, you know that's perhaps the most important metric here, gross and net equity inflows for us remained buoyant. Our net equity inflows, showed up at 37,000 crore so, which is a remarkable number given the quarter. Given this, equity assets actually grew despite the headwinds in the stock market, equity AUM, actually grew, and grew by 2.6%. SIP inflows remain consistent in the quarter, remained over 20,000 crore. And you know that, that number has perhaps been expanding for the last five or six trailing quarter. This was the highest number that we have recorded. So we grew over all the previous trailing quarters. SIP registrations, when seen in the context of the previous quarter, in context of 4Q FY'20 was slightly muted. There were 36.5 lakh compared to 43 lakh in 4Q. But if you see a year-on-year trajectory, we grew handsomely. This number was 28 lakh in 1Q last year and grew to 36.5 lakh during the quarter. So, year-on-year, a strong increase.

Overall AUM, despite the growth in equity AUM contracted a little, contracted by 1.6%, largely led by what was happening to bond prices, interest rates, and therefore debt and liquid assets. Amongst the other businesses, our AIF business grew 30% year-on-year on the back of sustained signings. And we expect it is poised to have a similar run over the next 12 months to grow 30% year-on-year in revenue.

We continue to invest in new businesses, especially in PFRDA an account aggregator. And we do continue to focus our energies and push the agenda forward on MF Central, as you're aware. Our payments business also grew revenue year-to-year, 20% riding on the back of new customer acquisition. So, that is our overall commentary on how the key metrics related to our businesses panned out. I will just get into a little more detail.

Like I said, talking about the core business, about the mutual funds business, saw a 2.6% increase in equity AUM, despite the headwinds. Overall assets, like I said, saw a marginal decline of 1.6%. The other important thing is that our share and key metrics, and I will talk of net sales and SIP registrations, improved quarter-on-quarter, and we retained market leadership with 69% share. In the alternative services market, we continued the growth trajectory, like I said, recording 30% year-on-year growth in revenues. Specifically CAMS Wealthserv, which is our digital onboarding platform, has been well received and that momentum continued. We now have 40 plus clients who signed up on this platform. Nobody was expecting the digital penetration of the AIF and PMS market to be so quick. All this has happened within one year. So, we are expecting this trajectory to continue.

On NPS CRA we, as you are aware, had launched the first - CRA platform on the Cloud in March. '22. eNPS is now live. POP sales and corporate business are in pilot phase. I think the important thing is that within a short span of time, we've achieved over 10% share in eNPS sales. Like, you know, this is direct to consumer purchase mostly by people by paying money from their bank accounts, no employer contribution kind of architecture is there. So, we got to number two position in eNPS at over 10% market share.

Similarly, in account aggregator, we recorded 10 new wins, took our overall tally to almost 20 signups. We now have 12,000 downloads of the mobile app. The most downloaded account aggregator app now. MFCentral did well, it solidifies our role in the MF ecosystem, and we are seeing significant interest from Fintechs in particular, for the CAS APIs and for various other transactions kind of APIs, so, we'll talk a little about that further. And amongst our other digital assets, myCAMs crossed 5.25 million user base, and continues to retain its position of the largest MF app in the country.

In insurance, the Policy Genie deep contact tracing solution. We've spoken a little about this in the last two quarters. We assisted insurance companies and closing out almost 31 crore of unclaimed benefits in 1Q, as you are all aware this is an important metric for insurance companies. And then overall, I think from a digital solutions perspective, we continue to improve our relationships with insurance companies and improve our delivery capability to the insurance policy holders across the board.

As you're aware, we continue to build out the nature, the character of the company to be a full stack and intelligent platform for capital markets. So if you see, what we have here today across eKYC, e-signing, digital onboarding, and we have digital onboarding platforms almost across the board, anti-money laundering checks, validation services, all of these together with the core MF and the core AIF platform create a 360-degree digital stack for the capital market ecosystem. And then, outside of those, you know that we've been assisting banks and NBFCs, and our AMCs in ensuring there is a simplified accelerated architecture for loan against mutual funds. Our reconciliation products continues to find acceptance both with mutual funds and outside, especially with insurance companies. And like I said, MFCentral has now continued to improve its relevance, amongst the consumers certainly, but from a business enablement perspective, we see the Fintech stepping forward and showing sustained trust.

Overall, our stack of APIs in terms of how we service customers, -- AMCs, that continues to grow. From a CAMSPay perspective, UPI has been a very smart addition and like you've read, we've been the first in the industry offering UPI auto pay as a solution to the marketplace.

Next. I will talk a little about our share and overall AUM net sales and SIP registrations. I spoke about this, but just to get into a little more detail. Year-on-year, we saw a strong 35% increase in equity AUM. It grew from about 8.38 lakh crore to 11.32 lakh crore. Our shares in industry equity assets and that's I think a strong redeeming factor that is increased by 3% year-on-year, from 62.7% in this quarter last year to 65.7% in 1Q FY'23. So if we see, I mean, despite the fact that it was slightly tough quarter, when you see the fact that equity inflows remains sustained and very strong, and these are net inflows, gross SIP inflows were at the highest ever, SIP registrations improved handsomely over last year. And our share in industry equity assets have grown almost 3% when you club all of these four facts together, it points to a strong foundational trend. Like I said, our new SIP registrations grew from 28 lakh last year 1Q, to 37 lakh this year.

Our share in new SIP registrations again, moved up significantly. 61% now to 55% last year. These are numbers that you've been seeing over the quarter, so you can see the contrast. And then, I think from an SIP inflow perspective, if you see the various numbers October to December, '22, which was 3Q last year, just under 19,000 crore, Jan to March 4Q over 20,000 crore, and then 1Q at 20,953, just under 21,000 crore. So, that vision continues to grow in the last two quarters, almost clocking a 1000 crore more than the previous quarter. The underpinning to that and leading metric to that is the SIP registration count. And we believe that this juggernaut will continue to remain intact in

terms of momentum. And like I said, CAMS service funds continue to clock over 10 new lakh SIP registrations all for the last many months.

In terms of client base therefore, we continue to service each the top five AMCs as you are aware. 10 of the top 15 AMCs. But just seeing basis equity assets, which is covered on the market, but an important cover, four of the top five AMCs based on equity assets are with us. So, that, that kind of shows you the strength of the franchise. A little bit about MF Central, like I said, we are seeing sustained user interest, which is a great metric to have on our side. This is a property, of course, that the two ideas are built together. So we see about a thousand-year registrations per day. Of course, this number will move up as we do a formal go to market. Right now there is no high decibel promotion happening, but despite that we get about 1000 registrations per day per month – sorry, per day. Mobile app downloads at about 75,000. Executing between a 1000 to 1500 requests of all kinds every day, touching almost 10,000 login sessions. So it's a differentiated product built as a thin linear on top of the RTA systems. And like I said, for the, for the combined account statement, which is a popular way to keep investors informed of their holdings on how the portfolios are moving, we're seeing a lot of interest from different tax and from other market participants, including advisors and brokers for these APIs, as well as for the transaction APIs.

I've spoken a little about the alternative business. As you've seen, the number of AIFs now registering every quarter is reaching a crescendo and we are seeing accelerated signing performance now almost for four quarters and running, but significantly in the last two. The riding on all of this, we saw growth trajectory revenue clocking almost 30% year-on-year growth. And like I said, we could see, although I don't want to make any forward-looking statements here, similar growth numbers in the next 12 months. New business addition with 15 new wins in the AIF and PMS segment. And, of course, growth of business in the base drove all of things.

On CAMS Wealthserv, like I said, the adoption has been rapid. Over 40 funds have signed up for our AIF and PMS digital onboarding. Significant new features like onboarding of NRIs, etcetera have now been added. And then, like we've said, we want to take this count to make it touch at least 100 within the financial year. On Fintuple, which is a transaction we'd announced in April of this year, about four months back, Fintuple continues to build a momentum. There's multiple new signups and are now beginning to offer e-sign and e-KYC to their customers. And in the GIFT city now we are signed up in business now with five clients.

On account aggregator, I think all of you are aware that public sector banks were all asked to participate in this market by end of July. So, technically all of them are now part of the architecture, coming into integrate with us. We did our first consumer and industry event for the capital markets about two weeks back at Mumbai and saw a strong participation. And like I said, we continue to sign up banks, housing, finance companies, brokerages, etcetera for participating with us both on the AA and TSP platforms.

On NPS, like we said, e-NPS, which is the segment that we've been live and we've been actively soliciting business and building business, mostly through digital marketing. Of almost the 76,000 plus e-NPS registrations in the quarter, we got just short of 8,000. So, that translates into a 10% share and number two position. Our government and the APY, which is Atal Pension Yojana, those segments are under design and development. And then, we are engaging with the ecosystem entities, POP and corporate is really the next segment, which will go live in the short run. And we're actively preparing to make things happen there. Our CAMS NPS website logged over 2 lakh visitors. You can see the number there, 2.20 lakh during the quarter.

So, market share perspective, overall 69% market share, so a stable number. Like we said, net flow into equity assets, the main positives. Inflows through SIPs increased 4% quarter-on-quarter, but the significant metric is improved over 40% year-on-year. I think that's a significant metric. AAUMs service by CAMS at over 26 lakh crore which is 26.2 trillion. Overall assets went up 13.8% year-on-year contracted 1.6% quarter-on-quarter. The very interesting, compelling story on equity AAUM at 11.3 trillion or 11.3 lakh

crore. Assets grew 35% year-on-year. So, significantly ahead of industry and 2.6% quarter-on-quarter again, significantly ahead of industry.

On transaction volumes again, on the year-on-year basis, you will see between 25% to 40% improvement just across the board. Overall transaction volumes to 115 million last quarter, so, contracted a little quarter-on-quarter. Year-on-year transactions went 27% up, SIP book, which is the underpinning of all the collections and net flows that you see grew 37% year-on-year, about 5% over the last quarter. SIP processed riding on the same metric of registrations went up 3% quarterly, 39% year-on-year. Live investor folios are now over 5 crore or 5.3 crore so, 50.3 million. Again, 28% up year-on-year, and unique investor service is just short of 2.4 crore or 23.6 million grew 40% year-on-year.

So, like I said, if you look at all the foundational metrics, investor participation, SIP book, SIP registrations, net flows into equity, both gross and net, equity market share, and equity AUM, all of those positive numbers despite the headwinds will not take away the fact, it was a slightly tough quarter overall and we are expecting at some time for growth to come back to the industry. So, despite all that I think the underpinnings. I will now hand over to Ram Charan, our CFO to take us through the financials.

Ram Charan Sesharaman:

Thank you, Anuj. So, I will just spend the next five minutes giving a flavor of the numbers, the profits, the revenue numbers, and the AUM numbers.

As you heard, Anuj say, during the year, the – during the quarter, the AUM for Q1 had grown sequentially, had grown year-on-year around 13.8% and there was a smart growth in the equity funds at 35%. On a quarter-on-quarter basis, there was a small de-growth of 1.6%, but the equity still grew at around 2.6%. So, the impact of this is from a mixed perspective, we are having a favorable impact as you know, equity is the higher yielding asset of the entire mix. And hence, you would see from a yield perspective, there is some benefit that we are getting from this. From a revenue, for the year, for the quarter, we actually had a revenue of 236 crore, which was up 17.5% year-on-year. The comparable revenue was 201 crore in the last year first quarter. And sequentially, it was down at 2.8%.

If you actually break it down into asset based and non-asset-based revenue, the asset-based revenue actually grew 16%, 15.9%. If you just compare that with the AUM growth year-on-year, which was 14%, we generally see the trend where, in a – we see that the asset revenue growth always lags the AUM growth. But because of the favorable impact of the mix, which is the equity has grown around 35% year-on-year, we are seeing that the asset-based revenue is outpacing the growth in AUM for this quarter. It is consistent with the commentary that we have been giving earlier in terms of the mix of, impact of the mix. On a sequential basis, though, there was a small de-growth in the asset-based revenue. Again, if you see the de-growth from overall AUM perspective was 1.6%, but the asset-based revenue actually went down only by 0.3%. Again, the favorable impact of mix is playing out here. The comparable number for last year the same quarter was 155 crore whereas it's 181 crore for the current quarter from asset-based revenue perspective.

The non-asset-based revenue was up 30% year-on-year, mainly on the back of the transaction revenue. If you remember, the same quarter last year, there was this impact of COVID that was playing out in the markets and in terms of front office transactions. So, on the back of recovery of transaction-based revenue, the non-asset-based revenue has come up by around 29% year-on-year. On a sequential basis due to drop in transactions and also because of hold in inner force, which was a regulatory requirement, the number de-growth went on by 9.7% quarter-on-quarter. The non-asset-based revenue for the quarter is at 33 crore as compared to 25.51 crore for the last year, same quarter, and 36.4 crore for the sequential quarter.

On the non-MF revenue, for the quarter we ended the quarter with 22.81 crore non-MF revenue. This was compared to 19.7 crore the same quarter last year. Hence there was a year-on-year growth of around 15.3 percentage. This was on the back of what Anuj was mentioning, a smart growth in the AIF business. We are seeing sustained momentum in the AIF business and there was growth all around, in the repository business, in the payments services and other businesses, there was an increase compared year-on-year.

On a sequential basis though, the non-MF revenue, there was a decrease. Apart from AIF continued to be the bright spot in this, although even on a sequential basis, the revenue grew for AIF. But from other businesses, there was some impact. The last quarter of the year is generally, the busiest quarter from insurance and repository perspective. So, there will be naturally some de-growth in the first quarter. But because of no inner force, there was some impact on KRA revenue. So, overall the revenue actually quarter-on-quarter basis came down 10.7%.

The asset mix being favorable that there was a positive impact on the yields. I think the research reports have already come out, but year-on-year, and as well as quarter-on-quarter, we are seeing the yields remain stable to actually go up marginally, which is again, consistent with the commentary that we had given in terms of mix impact and the growth impact.

Coming to the profitability numbers, if you see the operating EBITDA, on a non IND AS basis was 91.5 crore, which is up 5.1% year-on-year and down 13% quarter-on-quarter. This margin was around 39% from a non IND AS perspective, from an IND AS perspective, capitalization of leases the margin is 41.5%, which is compared to 46%, both on the sequential basis as well as the last year. So, the reduction in the margin, is mainly on account of the investments that we are making. There are two- three aspects that contribute to this. One is on the spend that we do on the technology, because of the AUM growing or not growing on a quarterly basis, our investments in technology resources and in technology in platforms, is not going to slow down for one quarter. So, we continue to invest in technology, just to give you a perspective.

On the incremental spend that we have done on salaries and other software expenses, more than 35 percentage will be the amount that we have spent only on technology resources, only on platform building out. So, this is something that we are continuing. Part of it is a function of the market where we will have to retain people, and we are getting high-cost resources from a technology perspective to ensure that our cutting-edge technology remains same. And also from a platform build perspective where there will be some cost that we incur up front. And Anuj spoke about the various platforms that we're building out in the earlier slides, where there is this MF Central, there is this AA and TSP which actually will have a good revenue potential going forward, but this is upfront investments that we continue to make by getting high-cost technology resources.

So, this is contributing to a large part of the increase in salary cost. There is also a non-cash expense of ESOP which I've indicated also in the presentation. On a year-on-year basis, the ESOP cost is almost like a 7-crore increase. Of the 20 crore increase in salary that you see, almost 7 crore is because of the ESOP, and the remaining things, most of it is because of the technology and other increments that we have to give and investments that we do in platforms. So, that's the explanation for why your EBITDA margin growth and your sales growth, there was a lag between the two. This is something that we continue to invest in, and we never take any short-term decisions to discontinue any investments in resources or technology because of one quarter where we see the assets not growing. That's consistent with our earlier commentary, where we said that, in the event of the assets not growing too much, we expect our EBITDA to be just below 40 percentage. And in the event of the assets growing, we are going to be much more than 40.

I think that commentary, which we have been consistent over the last few years has played out in the current quarter, where on an IND AS perspective, we see a 41.5% EBITDA, but a non IND AS perspective, probably a 39% EBITDA.

From a PBT perspective and from a PAT perspective, this is mirroring the growth and profits on EBITDA. So, we are up 2.5% year-on-year from both PBT and PAT perspective and down around 12% quarter-on-quarter. We ended the quarter with a PAT of around 64.78 crore, as opposed to 63.24 crore in the same quarter last year and 73.8 crore in the Q4 of FY'22. Our return on network continues to be impressive, with around 39 percentage. And we ended the quarter with a healthy cash and cash equivalent around 437 crore.

We have declared, the board has declared an interim dividend of INR 6.75 per share, which you would've read in the press release that we have done. So overall, the revenue tracks the increase or decrease in the AUM. The non-MF revenue had a small dip because of some factors, which we have explained. But the investments in technology resources, in platform building out, and in the non-cash charge, as well as the increment, that is a function of the market to retain these resources, it's having a drag on the profitability. And that's the overall commentary on the profit.

So, with this, I hand over to the moderator for any questions that the participants may have.

Operator: Thank you very much. We will now begin with the question-and-answer session.

We take the first question from the line of Anand from WhiteOak. Please go ahead, sir,

Anand: Thank you for the opportunity. In terms of the investments that we are making, do you see the entire impact has come in the current quarter or we can see incrementally more impact as well in the coming quarters? So for example, the salary increase 20 crore, is there more salary, absolute salary increases that are going to come due to additional hiring that might have happened in maybe last month of the quarter or something like that?

Ram Charan Sesharaman: So, Anand, to answer your question, it's not expected that that will happen. If you see the annual increment cycle, it kicked in from 1st of April, so, we've taken the full impact in the quarter. Going forward, we don't see an additional impact because of any salary increases or any such onetime impact that we get. So, the impact is there fully in this quarter. There is no part of the month impact that you're seeing. Does it answer your question or was there something else you wanted?

Anand: Yes. No, no, that surely answers. And broadly, on the fixed investments, like our depreciation is also higher. So, from fixed investment perspective, can you give us some color? Are there any specific investment needed in rest of the year?

Ram Charan Sesharaman: Sure. So, you are right. See, from an investment perspective, there is a lot of requirement from RTA perspective, from a SEBI regulated perspective also that there is an investment that we need on assets, on storage, on servers, on compute, etcetera. So, if you see the last year was probably a record here in which the amount of investments that we made on CapEx was in excess of 60 crore, right? This was to bring us in line with the SEBI requirements of a 2x capacity, as well as, have a provision for the future. The SEBI norms are that, at any point of time, you should have a 2x capacity of your peak transaction processing that happened in the last quarter. Which is for example, if you have say, 10 today and 20 tomorrow, and then come back to 15, but by the next quarter, we will have to get 20x2, 40 capacity provision in the entire system, which is not only from storage perspective, it's also from a compute perspective, from a transmission perspective, everything that we will need to invest in CapEx. So, we have taken a big decision to actually upgrade our entire infra in the last year, so that we are not only in confirmative SEBI norms, we also have a provision for the future growth that we see. Because it is not something that we can do in a fits and starts.

So, we did a big investment around 65 crore, between 60 and 65 crore, last year. We don't see that repeating year-on-year, if that's your question. Although we will continue to make investments as needed to maintain and enhance this capacity, to take care of market transactions. But we don't expect the volume of investments in CapEx that we made last year will get repeated every year. If you see, in fact, on a quarter-on-quarter basis, Anand, the depreciation charge would have actually come down, when you compare the last quarter to this quarter. So, we don't see this level of investments on a year-on-year basis, although there will be significant investments that we will continue to make.

Anand: Sure. So, the depreciation charge following quarter-on-quarter is about 1.89 crore, what explains that?

Ram Charan Sesharaman: So, this is basically the bulk of investments that we did during the COVID phase, as well as post EBIT. It's a pure function of return on value method, right? See, the bulk of the depreciation gets done, around 65% of the depreciation gets done in year one of the – the norm is that you have to get 95% depreciation within three years. So, if you see the bulk of the depreciation gets done in year one and part of it in year two. So, as you come to year three of the – or year two and year three of business, if you don't make matching investments in terms of quantum, the depreciation will come down and that's what has happened in this quarter.

Anand: Got it. And my last question is on monetization. In the opening remarks, we spoke about monetization of MFCentral and other initiatives also. If you can give us some color, are you expecting any of the initiatives to start contributing in next coming quarters?

Anuj Kumar: Yes, sure. So, if you see, MFCentral as a standalone entity, is generating a lot of interest and we are at a sign-up stage now, but we believe some level of revenue will perhaps start showing up by the end of this quarter or beginning of next, as integrations happen. Similarly, you saw that on CAMS Wealthserv, which is additional onboarding platform, we've seen very strong response in terms of signups. The other two big things then therefore are, account aggregator, which has been a build out over the last five or six quarters, and CRA NPS, which also got built out over the last five quarters. So, we are in a sign-up stage there, small trickles of revenue are already coming in. It will perhaps take up to the end of this year for any, I would say substantive revenue reporting to happen. But like, you know, eNPS we get paid for every registration and every transaction that happens. So, that business is obviously on. So is the account aggregator and TSP business. I think significant revenues, worthwhile reporting in a forum like this will perhaps happen in 4Q of this year.

Anand: Noted. Thank you, I'll come back in the queue.

Operator: Thank you, sir. We take the next question from the line of place Prayesh Jain from Motilal Oswal. Please go ahead, sir.

Prayesh Jain: Yes, hi. Hi everyone. Few questions from my side. Firstly, could you give us the breakup of the employee cost or the increment whatever you've given from 85%? How much was accounted by increment, some of the variable pay, and how much by the investments in other companies or other subsidiaries?

Ram Charan Sesharaman: Sorry, I could hear part of your question Prayesh. If your question was, what is the breakdown of the 20-crore employee cost increase that you have given year-on-year? I'll answer that question. See, as I said, almost 7 crore of it, 6.5 crore of it is a non-cash increase that's happened because of the ESOP plan that we have given to the top 120 executives in the company on 1st of April. Accounting standards requires us to take a charge, a non-cash charge depending on the wasting schedule. So, if you take that away, looking at a 14 crore increase year-on-year, most of it is because of the increments and the hiring that we have done from a tech perspective. Almost like 35% of the increase is because of that, which is not only the fresh hiring we are doing from a tech, which we have not slowed down, for obvious reasons. We just want to maintain our edge on the tech perspective. But also the higher increment that we will have to give than usual, given the red-hot market that is there for the tech resources.

So, that's a major part of it. Apart from that, there is this FT that has come in the current year. If you remember, we did this migration of FT in July, August of last year. So, we actually got in some costs because of that. We didn't have a corresponding cost in the last year. So, the 2-crore increase is because of that. And the remaining cost is the increment that we have given to the existing resources. Given the market condition, not only tech, other resources are also to be retained. Last thing we want is a runaway attrition that's happening. So, the increment cost, the ESOP cost, the FT cost, as well as the tech hiring cost, will constitute every paise of this 20 crore increase that we have given.

Prayesh Jain: Okay. Sir, what would be the ESOP cost here that we would look at?

- Ram Charan Sesharaman:** On the first quarter, we took a charge around 9.5 crore in the period because of ESOP. And that was around 6.5 crore more than what it was in the comparable quarter last year, and around 2 crore more than the sequential quarter.
- Prayesh Jain:** So, in the coming years, could we look at 40 crore kind of a hit?
- Ram Charan Sesharaman:** For the year, the current year, we expect it to be around 28 to 29 crore. Because there is a vesting schedule-based amortization, as you go along, the cost decreases in the subsequent quarters. So, for the year we expect the ESOP amortization to be around 29 crore.
- Prayesh Jain:** And from a margin guidance perspective, you guys have been maintaining that in a bad quarter you have 38% margin to 40% margin and in a good quarter 40%-42% margin. Do you think this was the worst quarter for some time now and things will only improve from here on with regards to overall margin outlook?
- Anuj Kumar:** So, let me try to answer that. Yes, you know that we have broadly given a guidance of 40% and early 40. If you see the last quarter, like we said, the revenue build out was slow. And then, for various reasons we continued the investments in all the resourcing that we had to do for the newer platforms. A lot depends upon asset growth and revenue build out. As you know, as we've said that we will continue making the investments. There is absolutely no reason to go slow on the investments. Wherever we invest, you know that when the platform play becomes successful, then the off take is large and that leads to revenue growth. I think both the MS business and AIF business are great examples of all the past investments which are playing out now.
- So therefore, it's a good question to ask, is this the worst quarter? The way I would answer it is that depending upon the asset play turning positive and the revenue play at least holding. Yes, certainly we believe that this could have been the worst quarter, but we will continue watching in terms of how the markets behave. As you've seen, while flows were very positive and flows of what held everything together, mark to market losses did happen even in the equity segment. If that is bottomed out, certainly margins will start looking up in future. But that's something we are watching closely.
- Prayesh Jain:** Okay. And second part of that equation is yields front wherein the mutual fund companies, AMC, we've seen that there is pressure on each which is mounting every quarter for them. Even in this quarter among all the listed players, except for one of the companies, saw a decline in yields. Is there an incremental pressure coming to you guys for reducing your fee?
- Ram Charan Sesharaman:** So, you know how this works is, as you are aware, our scope continues to grow significantly year-on-year as more regulatory and service scope comes in. So, the absolute quantum of work that we do becomes bigger and bigger. The only way we get paid for it is through sales and mark to market gain. Also mutual fund companies do get a fee remission every time they grow, like you're aware, it's a telescopic fee structure. So, within that, I will not say that there are no dialogues. Obviously, mutual fund companies will try to find ways to offset whatever they're seeing on the fee front themselves. As far as we are concerned, we are confident that given the value that we deliver in the marketplace, we're expanding scope, and obviously the sophistication that we are bringing into the company, we will hold on as much as possible to the yield.
- Prayesh Jain:** My last question is on the non-MF business, what explains the decline in this topic sequentially?
- Ram Charan Sesharaman:** Sorry, you are...
- Prayesh Jain:** I'm on the non-MF business has seen a decline in share as well as in absolute quantum if we back calculate it from the overall revenues. So, what explains the sequential decline in the non-MF revenue?

Ram Charan Sesharaman: Yes, so, that's right. So, as I mentioned in my initial commentary, AIF is a bright star in that. We continue to grow quarter-on-quarter. But other businesses have not grown sequentially. There are various reasons. One is from a, for example, insurance repository perspective, we generally see the fourth quarter is when there is a new policy conversion is at the maximum. And hence, there will be a sequential drop in revenue from the Q1. Because of NFO being on freeze and additional bans, there is some muted growth on that. So, our new KRA and hence our KRA business is not hiring in the first quarter. We hope some of it will be recouped once the NFOs come back. And in terms of payment businesses, there is a general drop in volume, although SIPs remains stable, but on a quarter-on-quarter basis, you would see that it's not been a big growth at all. So, we see some amount of drop in ACH new registrations, especially in the payments business. So, combination of these factors actually led to the drop of non-MF revenue on a sequential basis. That's the answer, Prayesh.

Prayesh Jain: Yes. And this is just a feedback. If you can start breaking down the revenues of non-asset mutual funds as non-asset based as well wherein, how much is the quantum of AIF, how much is the contribution of CAMSPay, and how much is the contribution from the insurance business. And if you could split it up, that would be also helpful for us in terms of tracking the – because these are the next avenues of growth. So, if you can, if you're able to get that data, that would be helpful.

Ram Charan Sesharaman: Sure.

Prayesh Jain: Thanks. That's all from my side.

Ram Charan Sesharaman: Sure, sure. Just to give – we'll do that. Just to give you a perspective, AIF is around 3% of overall revenue, and CAMSPay will be around 2.5%-3%, and insurance would be around 2% to 2.5%. So, but Yes, we take your point and we will do that. Yes.

Prayesh Jain: Sure. Thanks. All the best.

Operator: Thank you, Mr. Jain. A reminder to all the participants, anyone who wishes to ask a question may press * and 1 on their touchtone phone. Participants, you may press * and 1 to ask a question. We take the next question from the line of Madhukar Ladha from Elara Capital. Please go ahead, sir.

Madhukar Ladha: Hi, good morning. So, couple of questions, one on this acquisition of Fintuple Technologies Private Limited. I don't know what the exact function of this company is. So, maybe you can tell us what you have acquired over here and for how much? And what is the contribution in revenues and profit for this current quarter and for the year? Maybe some sense on financials, the last year's financial of the company, that'd be helpful. Second, you mentioned that last year you did about 60 to 65 crore of CapEx. Now, what would be your CapEx budget for this year? And how do you see your CapEx evolving over the next three, four years? What would be the amount for that? That would be helpful to know. Yes, those would be my two questions. Thanks.

Anuj Kumar: Okay, sure. So, let me try to answer the second question first, just in terms of CapEx, I think the way it was explained, in the last two years, we've seen a significant build out spurred by two or three reasons. One, of course, was equipping thousands of people to work from home, as you know, that's capital intensive. And the second is that every year, the expectations from our industry, from a tech architecture and capacity perspective, is to move closer and closer to the MIIs or the infrastructure institutions. That continues to place newer demands in terms of how much redundancy, how much storage, how much compute capacity we keep in-house. And the amount of redundancy that we have. So, like last year answer you said, gross company level CapEx was about 65 crore, in a typical year, this number would be more in the 35 to 40 range.

We did not just to – although we were obviously compliant to everything that was required to significantly gain on sophistication, to make sure that we were able to eliminate things like downtime, etcetera, in case we were switching things over from one data center to another. All of that happened, that depreciation is showing up. Like you

said, because it's on written down value, you will see, and we are seeing some quarter-to-quarter depletion in depreciation itself. But last quarter and this quarter were high. From a contrast perspective of last year was 65 crore, this year would be in the range of 35 to 40 crore, because a large investment has already been made. And, of course, some of the replacements, new licenses, security tools, etcetera, continue to get onboarded. So, the answer, it will be about 35 to 40 crore this year. On Fintuple – sorry, did you have a follow on?

Madhukar Ladha:

No. Got it. Thank you.

Anuj Kumar:

Okay. On Fintuple, Fintuple is a company which works in the fund administration space, very similar to what CAMS does. They were a competitor, especially in the digital onboarding space, for AIF and PMS. Over a period of time, they've broadened their capability to offer broader fund administration solutions, especially to banks, their custody businesses, their PMS businesses. So, that's what they do. It's a small company. Revenue numbers, etcetera, are pretty small right now. They – yes, growing quite well and are acquiring newer clients, like I said, in the fund administration space, also in the e-sign in, e-KYC space now they're expanding their footprints. They were suppliers to one large bank, but we are expecting this will expand to, at least, two or three banks within the year. So, that's what Fintuple does. They're based in Chennai.

Madhukar Ladha:

And any color on the revenue profit numbers last year? And how much did you pay for this acquisition?

Ram Charan Sesharaman:

So, Madhukar, this is kind of a startup. What we have bought them for is more, kind of, technology and the exciting product and inroads that they're making in the onboarding world. So, this is – the revenue is starting to build out now. So, it will not be significant in the last quarter. Of course, we expect that they will grow in the current year. Just to give you a perspective, their revenue would be some 1 crore in a quarter, but going forward, obviously we expect that to multiply in the next few quarters or next few years. So, it was more kind of an acquisition for the niche product that they have complimentary to what we have currently in the AIF market and obviously the exciting AIF market that we see. So, that's – from a payment perspective, we've not disclosed that so far, but I'll just give you a broad guidance. See, if you take the credit even for the money in their balance sheet currently out of which we are entitled to the majority stake, the acquisition will be not significant, even less than 10 crore acquisition cost.

Madhukar Ladha:

Understood. Understood. Thank you.

Operator:

Thank you, sir. A reminder to all the participants, anyone who wishes to ask a question may press * and 1 on their touchtone phone. We take the next question from the line of Kaushik Agarwal from Haitong. Please go ahead, sir.

Kaushik Agarwal:

Yes. Hi, sir. Thank you for the opportunity. I have few questions. So, sir, firstly on this AIF business, what I wanted to understand broadly in terms of the revenue model, as you have earlier mentioned that this is broadly the yield that you charge on the AUM, but onboarding new clients also helps us in getting some upfront revenue? Like, when you onboard a customer, do we book some revenue at that time also? Number one. Number two is, broadly I want to understand the competitive intensity in this non-MF business. Is it similar to what we are seeing in the MF business as well, like, broadly in terms of the AIF, account aggregator, and the insurance businesses? And lastly, within the account aggregator business we have started – have we started monetizing the client addition now? And can you please highlight some broad idea in terms of what is the contribution of this business to the top line and how should we look this business way forward?

Anuj Kumar:

Sure. So, overall AIF, it's typically like either a bits price business or a fixed fee for scope, kind of, a fee structure. Especially in digital onboarding, we do get paid for every customer which is coming in. So, onboarding pays for itself largely on the digital side. Otherwise if it's an asset-based pricing, then typically we get paid once the assets comes under management of the AIF. What is the competitive intensity? Like you have seen, we have pointed out that at an aggregate, our share when compared to the rest of the market is in the range of 50%. It's not a very competitive, very fragmented market right now, of

course, newer players are wanting to come in, but right now it's a small market with similar names, as you know, in the mutual fund market competing with us.

On the account aggregator side, however, and I'm still talking of competitive intensity, the market is very different. If you see TSPs, which is technology service providers, registered with Sahamati, and the people who are competing in this, you will see 10 to 20 names in perhaps every bit and you will see over 20 registrants. If you see license holders in account aggregate, there are five license holders, four live, one about to go live, but about four to five bits in principle approvals, all those names are out there on the website. When do we start monetizing? Monetization happens once you are connected to an FIP and FIU. And they are paying you money for all the consents which are coming in through – that has begun happening. Right now the volumes are small. So, it is not a significant number to report. Like I said, we are expecting these build outs to continue. And maybe by the end of the year, maybe by the last quarter, those numbers will become significant. At which time we should be able to give you a color of how much money they're able to contribute.

Kaushik Agarwal:

Understood sir. Sir, just a follow up on this account aggregator business. What we are seeing is, lot of players are now coming up and applying to the RBI for this account aggregator license and many of them have also received this in principle approval. And most of these players with what we are seeing and what we are picking up from the media is, these are already into this FinTech space. So, do you see these players coming in would impact our business or would increase the competitive pressure?

Anuj Kumar:

Yes, certainly. So, there are – you will see two kinds of players. One set of players, and you referred to FinTech, are those who would like to do this mostly as a capital business. So, the names who've got in principle registration are wanting to do that, which means that they want to use this utility for portfolio or personal finance management, for lending, etcetera. But don't want to outsource their work and they've applied for a license so that they do it captively. However, that number and percentage will be not more than 10% of the expense will do it in a captive way. The balance 90% will be part of the competitive landscape. They all come with different specializations. But Yes, it will increase the competitive intensity. So, it'll be very different to the markets we have been in so far, which have been more niche markets. This will be a broader market. And most of the people who are applying will be out to sell in the marketplace.

Kaushik Agarwal:

Understood, sir. That was very helpful and thank you so much. That's it from my side.

Operator:

Thank you, sir. We take the next question from the line of Mr. Anand from WhiteOak. Please go ahead, sir.

Anand:

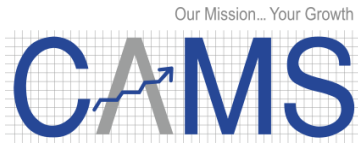
Thank you again for the opportunity. With regards to this inorganic method of acquiring capabilities, do you see this being a recurring thing for us or should we see this as one off?

Anuj Kumar:

No, we certainly see it as a recurring theme for us. The left-hand side of the equation, as you know, is very attractive, which is that we have the ability to generate and mobilize the cash and be able to do the deals. And we have a strong management team which can help onboard businesses. The right-hand side has to be an asset, which makes sense. Well, like I said, Fintuple was something which made sense. It is a very small acquisition, you can say. So, it was not done purely from a revenue or market share perspective, but a good capability and a good set of people came on board. So, it is certainly on our radar. Like we have said in the past, we want to be very focused and stay in the relevant area. So, we will not do anything unrelated. But very much on the cost. And like I said, the left-hand side of the equation is attractive. We are just figuring out the right-hand side in terms of, are there attractive assets which have built out a business in terms of revenue and market share, which could appeal to us?

Anand:

Noted. Noted. And the thing that comes Fintuple, they would have certain lock in, right, for the amount of time that you spent several years at it?



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- Anuj Kumar:** Yes. So, the way we've done it is, we we've made an acquisition of 51% and the rest is available for the promoters to monetize their holdings in the third, fourth, and fifth years. And the reason we've done it is we didn't want the management team to walk out once they have got money in the bank. So, money in the bank will take up to the fifth year for them to happen. So, that is kind of a lock in.
- Anand:** Got it. Thank you.
- Operator:** Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Ram Charan, CFO, CAMS for the closing comments. Please go ahead, sir.
- Ram Charan Sesharaman:** Thanks, Seema. So, we thank you for your interest and participation in this call and you hope you continue to follow our progress and our journey. Please do reach out to Orient Capital or Anish Sawlani for any questions that you may have or follow up that you may have. And thank you for your time here. Thanks.
- Anuj Kumar:** Thanks. Thanks everyone. Thank you.
- Operator:** Thank you everyone. On behalf of Computer Age Management Services Limited and Orient Capital that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.