



Computer Age Management Services Ltd

Q3 & 9MFY21 Earnings Conference Call

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Management

Mr. Anuj Kumar: Chief Executive Officer

Mr. Somasundaram M: Chief Financial Officer

Mr. Ramcharan SR: Chief Financial Officer - Designate

CAMS Limited
Q3 FY21 Conference Call
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Moderator: Good morning Ladies and Gentlemen. I'm, Gaurav your host on behalf of the management of CAMS Ltd for this conference, Welcome to the Conference call of Computer Age Management Services Ltd. arranged by Concept Investor Relations to discuss its Q3 & 9MFY21 results. We have with us today Mr. Anuj Kumar Chief Executive Officer, Mr. Somasundaram M, Chief Financial Officer and Mr. Anish Sawlani, Investor Relations Officer. At this moment, all participants are in mute mode. Later, we will conduct a question-and-answer session. At that time, if you have a question please raise your hand and I shall unmute you. Please note this conference is being recorded. I would now like to hand over the floor to Mr. Anuj Kumar, Chief Executive Officer. Thank you, Sir.

Moderator: Mr. Chief Executive Officer, thank you. And over to you, sir.

Anuj Kumar: Thank you. Thanks very much Gaurav and Lalit for organizing the earnings call. And welcome to all the participants who have chosen to participate in this call today morning. We will take you through a structured deck on operating and financial highlights for the three-month period, which is October, November, December and also the nine months starting April of last year. So, I will request Anish to commence with the presentation and then we can begin. Okay, thank you.

So just in terms of overall business highlights, like you know we were traversing through the very severe pandemic phase in the April to December period and the business volumes, both AUM and transactions went through a lot of fluctuation during that period. It culminated in the end December with historic transaction volume highs. Prior to those if you smooth out any 9- or 12-month period in the last 12 to 18 months, the average transaction monthly count and this is without trigger transactions, these customer-initiated transactions would have been in the range of 40 to 45 lakh. At the bottom, it slipped down to about 30 and the peak went to 63. So, a lot of transaction volume scaling up towards November, December, culminating at 63 lakhs in December which is a good sign of investor participation in the mutual fund Investment arena.

Franklin Templeton, you are aware that we had signed a contract with Franklin to take over their RTA operations, which includes rebadging of a certain number of employees. This is progressing well. All these transactions are very complex because they are about process execution movement, as well as platform and a lot of customization. We are now ready to go live with them in the April, May timeframe. And the transaction has been running in a fairly controlled state over the last one year. CAMS FinServ which is our account aggregator business you are aware that we have got the license from RBI to be account aggregators back in March of 2020. We've been engaging with the markets quite intensely. The infrastructure in terms of how the financial information



providers and users will participate with the account aggregators is getting laid out. And we've been demonstrating a product very, very intensely across the marketplace and signing up certain FIUs in the process.

Website is up, and there will be a B2B kind of format of service in this segment, and they will also be a B2C engagement. The consumer app should be up early next quarter. And we should expect to begin doing some kind of consumer activity and consumer acquisition in that time period.

Digital has been our mainstay for a length of time, there's good news on the overall digital build out, both the industry and for CAMS. Specifically, for our products, the three marquee products, myCAMS which is the consumer app, edge360 which is the distributor property, and GoCorp, which is for corporates and institutions to participate and largely for liquid and overnight fund purchase. There was significant transaction growth, you can see the numbers on your screen. myCAMS grew 30% quarter-on-quarter, Edge is a new product introduced in about August, September of 2019. So, it was in its fifth completed quarter. So, the scale up was a lot more significant. GoCorp crossed and stayed above that 20% share line of our mutual funds in terms of liquid transaction share, which is a fairly significant milestone and continue to gain share over the previous quarters. You would have also read the announcement that PFRDA has declared CAMS as an eligible participant for setting up CRA operations for NPS. The licensing will be contingent upon us following process. One of the key milestone events in the process is for us to wind down the POP operations that we used to do for NPS. So, we're in the process of doing that and progressing well. It means disengaging from the POP business and handing over the investors, both corporates and individuals to another credible POP, that process is underway. So, we are expecting that we will progress this well. Before the end of March, we should be ready to submit our claim for a license and get a license.

In terms of AUM, I'm sure all of you have been watching the numbers, 12% year-on-year growth, and now all the top five mutual funds in the country by AUM are CAMS clients, which is good news for all of us. We build concerted visibility, as you know we have been spotting opportunities in adjacencies to make sure that especially platform-based offerings can be created from our core capability or around a core capability in the capital market space in the mutual fund space. And within that, a set of offerings, our reconciliation platform, which has christened Recon Dynamics, digital loan against mutual funds, which is a product whose just native appeal is now driving a lot of NBFCs and banks to embrace this, we continue to work with the marketplace closely and build visibility both on our website and otherwise, to acquire more-and-more customers and clients and to expand the franchise. So that continues to be underway. We have also built our, just in line with the requirement of the times, fully digital onboarding platform for PMS providers, which will also be extended to AIFs began to demonstrate this platform during the COVID phase signing up our initial customers now. So, while from a revenue perspective is not going to be a large

contribution product, it is going to be an invisible tool in the hands of the PMS operators and we believe that as we make life easier for our customers and providers, business follows will scale up so happy to share that with you.

And then lastly, for a payments business, which has so far been done in CAMS. Now there is a requirement to move this into a subsidiary. And that process is on, we have created a wholly owned subsidiary and the business over a period of time will get moved in that subsidiary during 2021. So those are significant contextual business highlights for the quarter.

I will move on, just in terms of the mutual fund industry and how things have moved. I am sure all of us have been watching various press articles, the releases that come out from AMFI, etc., so we are aware of the figures but largely, for the quarter if you just look at 3Q, industry assets grew and we are just short of 30 lakh crore 29.7 trillion, CAMS assets also grew very well. And over a 20.8 trillion or 20.8 lakh crore. Within this, if you see the growth, industry assets grew about 11%, over last year 3Q and CAMS assets grew about 11.6%. So, in terms of overall asset growth, we mirrored and slightly better than the industry. And similarly, over the last quarter industry grew 7.7%, we also grew +7%. So, these growth numbers coming in these times are very good. And within this, as you would have seen the debt segment pick up, especially in calendar 2020 was excellent starting from the month of April, where the overall base of debt funds saw a lot more participation both from retail investors and corporates. If you see equity assets, the industry grew about 5.2%, over the previous year. CAMS growth was about 2%, at a slight handicap to the industry, we grew slightly slower than the industry. So, we were growing faster than the industry on overall assets, like I said largely led by the fore in debt, on equity we were slightly slower. And if you see, over the second quarter, the industry grew about 8.5% and we -grew 7.3%. So just about a small 1% handicap to the rest of the market.

Overall, in the industry, you know that because of the climb up of the indices, valuation gains were significant. They were partially offset by almost sustained investor interest in cashing their gains. So, there were over a period as you have been reading negative inflows into equity assets and therefore the gains could have been much better, but this is the hallmark of a rising market. Inflows through SIPs and which were the good sign that they remain steady otherwise in times of panic investors tend to dissociate and deselect that product. That is how it has happened historically, they always believe that we will stop investing for some time and when times come back to normal, we will start again, we did not see that trend. So, SIP inflows remained steady. And then the quarter-on-quarter growth, therefore, was driven largely by mark-to-market gains in equity and a lot of purchase-led investor activity in debt assets.

In terms of overall operational metrics, spanning transaction volumes SIP book and SIP transactions and gives you a view into how these metrics behaved over the three-month period. So, if you see transaction

volume was about 8.2 crore, which is 82 million, it was about 1% increase year-on-year and about 3% up quarter-on-quarter. So, both good news because transaction volume is indicative on investor participation, although at the peaks of the market, you know that a lot of this transaction value is about redemption and switches out of equity. However, it is still indicative of active investor participation.

The SIP book grew which was a good sign. It grew much slower than it used to grow in the past but just given the backdrop of the times 4% year-on-year growth, 1% quarter-on-quarter, was a good sign and our belief is that selling has now commenced back at almost the intensity it used to have. Investor meetings are happening across the country, physical locations are now active and digital assets are firing on all cylinders. Selling should come back and bright earnest over the next three to six months as these activities deepen.

SIP transaction processed were 1% of up year-on-year and almost flat quarter-on-quarter. Within this period, if you see the last box, a unique investor serviced by the mutual funds market grew in this year, 5% year-on-year which is again a good sign that despite what was happening in the market, the industry and its selling arms could continue pulling in new investors into the market. The live folios contracted a little and some of this could be happening because some of the investors encashed and went away for some time. But, getting unique investors in during these times was a good achievement on part of the industry.

And then if you look at the same numbers over a nine-month period, the impact of COVID start showing up in the nine-month period and rightfully so, because this is April to December. Industry AUM which we spoke about at 29.8 lakh crore for the quarter was a lot more muted when you average it out over the nine-month period at about 27.3. But it grew over the past nine months in 2019-20. Industry equity AUM fell marginally by 1.6%. Like you saw for the three months, similar trends for CAMS are overall AUM performed better than industry. So, 6.9% against 5.1% for this nine-month period. However, similar to what you saw, for the third quarter, the contraction in equity AUM was a slightly deeper in CAMS funds than in the overall industry, so, 4.3% against 1.6%. Our market share was at 70.4%, so just ahead of 70% and which grew over the past nine months during the last nine months.

And then when you see operational metrics again, the key metrics of overall transactions SIP transactions like folios and new investors. Transaction volumes at 238 million fell about 2.6%. But again, like I said, this is nine months April to December of 2020 against April to December of 2019. SIP book, like I said bucked the trend and grew even despite the backdrop of Covid. SIP transactions and that can appear counterintuitive to you given the fact that SIP book grew why did transactions fall, and those transactions would fall marginally because some of the investors may continue with the SIP but may have paused their participation, and some of them may not have honored a specific instruction to debit that we may have given. So, led by that SIP transactions at 176 million. And like we said, despite what was happening in the backdrop you see in the last quarter again a similar

5% growth in active investors, the industry continued to bring in new investors into its fold. Live investor folios nine months to nine months grew slightly marginally by about 3.4%.

So that's overall, on the business highlights in terms of new initiatives, some of them revenue bearing, some just building out new digital conveniences and building out what I would say add on and plugins to our existing products. Just to make sure that we gain relevance, we create investor and convenience for the manufacturers and continue to gain salience and then some incisive insights into how the AUM and transaction trend behaved over this period. I will now take you through the financials and then we can come back for the Q&A. Over to you Ram.

Ramcharan SR:

Thanks Anuj. So, the revenue highlights for the quarter. It was a strong quarter, the revenue was at 186 crores for the quarter which was up 5.6% year-on-year comparable revenue was Rs.176 crore Q3 of last year, it was up 8.7 quarter-on-quarter the comparable revenue was Rs.171 crore. Growth, which was driven by volume growth as Anuj mentioned the AUM levels grew compared to last year. Equity AUM was kind of growing is almost on par with the pre-COVID levels although it was more of valuation gains. However, the mix was lesser than what it was as in the equity mix was 34% as against 37% in the previous year. But this was however, offset by the higher debt component which Anuj was mentioning, there is a lot of inflow into the debt scheme which kind of offset this. So, the asset based revenue grew 11% year-on-year to Rs.141 crores and 8.3% quarter-on-quarter with the comparable numbers was Rs.127 and Rs.130 crores for the last quarter and last year and the non-asset based revenue which is basically the transaction revenue that CAMS gets as well as the out of pocket expenses grew to 14.5% year-on-year, we also saw the transaction volume coming back strongly it was almost like 85% of the last year levels, which was much better than the earlier quarters which again the transaction revenue we are seeing upswing and this is sustaining in the current month too.

In terms of non-MF revenue, there was a drop in the non-MF revenues specifically consists of the banking business which you might recollect CAMS took a decision to withdraw from so the wind down of the operations of the banking has happened that's impacted the non-MF revenue. Apart from that there was a drop in transaction led revenue like insurance outsourcing and ECS and it's so, overall, the non-MF revenue was down when compared to last year. The comparable number last year was Rs.24 crores as again Rs.16.7 crores the current year. So, overall, it was a very strong revenue growth in driven by MF, driven by asset-based growth and MF is now 90% of the overall revenue, the mutual fund-based revenue. Move on to the next.

Strong quarter in terms of PBT and PAT too, we ended up with Rs.75.6 crores of PBT for the quarter as opposed to Rs.61 crores for the comparable quarter last year which is 23.9% growth year-on-year and Rs.66 crores for the earlier quarter, again a 14% growth over last quarter. So, this was again fueled by earnings growth and cost optimization measures, the efficiencies, the benefit of the efficiencies

have come through to us in terms of, the automation initiatives that we have done in terms of rationalizing the cost of leases and such initiatives that we have taken. So, all this has flown into the bottom line and there is also an increase in the high margin, margin expansion is because of increase in the high margin business of MF, so the operating EBITDA for the quarter was high at 41% although we do see going forward hiring will pick up especially the transaction volumes is picking up. So, there will be a small lag in terms of getting the people to cater to the transaction revenue. So, this lag is playing up this 41%, in terms of margin and the return on net worth was 46% for the quarter which is again higher than the earlier quarters.

On to the nine months revenue, the first quarter lag is kind of showing in the numbers a little because the revenue for nine months comparable period is Rs.505 crore which is little less than the comparable period for last year, that's mainly because of the lag in the quarter one revenue most of which has been made up in the remaining quarters. The remaining charts are kind of reflective of the trends that we are seeing in terms of MF share of revenue in terms of declining non-MF revenue and overall asset-based revenue also going up. So, the nine-month revenue was kind of reflective of the last quarter in all other respects, please move on.

And again, the nine months profits, we are up compared to last year by around 8%. So, we have posted a PBT of Rs.193.6 crores and a PAT of Rs.145.2 crores for nine months, which is again up 12.7% from the last year, because again of the suppressed margins in Q1, the operating EBITDA for the nine-month period is at 37.4% while for the last quarter it was at 41%. So, this is the summary of the nine months financials too, just move on.

As you would have heard yesterday, the dividend board has recommended dividend interim dividend of Rs.7.60 per share. This is in addition to the Rs.6.75 per share that were declared in the last quarter. So, this is the decision as per board yesterday. So, the remaining things are kind of the financial statements that are available in terms of the consolidated financial statements as well as the balance sheet. The details are there in the presentation, I'm sure you've had a look at it. So, with this, I will pause and hand over to Gaurav to kind of open the floor for questions.

Moderator: Thank you sir. We shall now start the question-and-answer session. Thank you.

Kunal Thanvi: This is Kunal Thanvi from Banyan Tree Advisors. So, I had probably three set of question, one was on, I wanted to understand better on the paper based transactions like, how different they are in terms of profitability, if compared to the digital transaction both in margin terms and the absolute terms, if I make Rs.100 revenue, then how much profit would we say, for a paper based transition, and how much would be for digital transaction, that is question number one. Second question was on the realization for equity. If we look at the historical data, we see that there has been a steady fall in the realization which we understand is a

function of two things, one is the TER cuts and the telescopic pricing structure that we have. While in the debt and liquid segment, the fall has not been that sharp as compared to equities and hybrid. So, wanted to understand like how should one look into it like in the equity and hybrid also should one expect stabilization in the realization after a particular point that is question number two and third is on, third party RTA in the history, like if we looked at the industry as such broad, I've seen a significant consolidation with just, two players left now, so wanted to have a sense on apart from the captive RTAs that we know many other non-captive RTA has entered in the market and has exited over let say last 10-15 years. If you can throw some light on that, that will be like really helpful. Thank you so much.

Somasundaram M: Let me take the question on the transaction-based profitability. Considering the business model that we have, it will not exactly be feasible to say that this is the profit for this particular transaction, whether it's electronic or paper-based transaction, because there's a very large component of work and revenue associated with that, which is not exactly related to just the transaction. So just to give an example, we have the brokerage computation, and we have compliance reporting, there are certain statutory compliances, these are not exactly activity-based kind of a pricing. And therefore, it's nearly impossible to say that this transaction is profitable, this transaction is not profitable, it's a composite if you have to look at it, you have to look at it like a buffet pricing model. That's how I would urge you to look at it. Having said that, as far as paper transaction is concerned when they go up or down it does bring in or reduce certain costs. So, on a marginal basis, we look at the paper transaction as a largely profit neutral. But having said that, there will always be a lag in either increase in cost or reduction in cost, in response to the volumes, and therefore on a period-to-period, it could change. But if you were to take a medium term, I would say that for paper transactions, the marginal cost and the revenue by and large would sort of match out. That's how we'll put it.

Regarding your question on pricing. TER is a onetime impact. So, it is not a sustained impact for a longer period because it was playing out in 19-20. That is how we look at it, it is an event which happens occasionally, the pricing is largely impacted by the tiered structure that we have. And especially on the equity, the tiering impact would be larger as you would have noticed, because it's the largest source of revenue and also the fact that, when the equity grows fast, it tends to out shadow all other asset classes. That has been, what I would say the trend that we have seen in the past, of course in the current year that debt has outpaced all other classes. So, the realization drop that you would have noticed is largely due to the tiering impact and occasionally, the price reviews which will do with the clients. And on occasions like the TER reduction, it did **impact**.

Third question on captive RTA, the last 10 years if you to look at maybe 11 years, I would say there was only one RTA came into the picture which is a Sundaram BNP Fund services. It was again a largely a captive kind of RTA because though they offered the model on commercial basis to other agencies, other than the promoters no one

took it. And after running the RTA business for 10 years, they sold the business through KFIN that's the only exception which we have noticed in the past. And the other exception what we will be seeing is the captive of Franklin Templeton, will be winding up this year and the asset servicing will move to CAMS.

Kunal Thanvi: Sure. Just a follow up on the paperless transaction, the only thing that we wanted to understand was, as we had indicated in the past that in terms of realization the paper-based transaction would have higher realization and as compared to say digital transactions. So now, but if I look in the profitability like since the trend is that CAMS itself is more or less promoting the digital side of the business, which means with the time realization on overall basis come from but is it fair to assume that on the absolute profitability, there will be no such impact?

Somasundaram M: Yes, you are fairly accurate, the impact would be very negligible by either way.

Moderator: Would request anyone who wants to ask the question to please raise their hand. We'll go ahead with the question required to be put by Anshuman Dev. Anshuman, you can ask your question. Would request to introduce yourself and the organization you represent.

Anshuman Dev: This is Anshuman Dev from ICICI Securities. Sir, I had two questions. One was regarding the yields that we are seeing in equity and non-equity so post COVID, we have seen fairly stable kind of yield in equity and non-equity and in Q3 it appears that there has been a modest kind of an increase also. So has the yields been more or less stable, and what has been the AMCs kind of stance towards the yields that they are offering post COVID, that is question number one. And question number two is if you can share the cost outlook in terms that we have had a fairly stable employee cost and other costs have also been benign. So how much of this cost sprint is sustainable and what can we expect in the coming years. Thank you, sir.

Somasundaram M: Thank Anshuman. Anshuman as far as the yield is concerned, the blended realization would appear to be stable, essentially, it's a play of asset mix, that's how I would put it largely led by debt, having one of the dreams run in the current year. So that's largely the reason. As far as the pricing is concerned, it has been like any normal year, that's how I would characterize it. The negotiations with the clients have been more like a typical year. Regarding the cost outlook you are right, due to COVID after the initial outburst of expenses in Q1, because of the lower paper volume that we had, there was a reduction in the headcount, which we did not have to backfill. So that played out and the fact that being a COVID year, at the beginning of the year, there was a lot of uncertainty and we did not have the usual revision did not happen and some amount of the non-incurrence of expense like travel, etc. The volumes are picking up, like Ram mentioned, we have started recruiting, and you will find some amount of cost inflation coming in the next quarter. But however, we are also seeing that transaction volume is picking up and therefore revenue also probably would match if not fully. And on the CAPEX side, there has been slowdown in the first two

quarters, this quarter we have done some amount of catching up and going forward, the CAPEX would go back to it earlier levels which means it would start getting reflected in the depreciation, the good cost I would say, will come back. And at the same time, we would continue to focus on their cost initiatives. So, wherever the cost reduction is possible, we will continue to do that.

Anshuman Dev: Yes, sir just follow up on that, is that so we have just seen this shoot up. EBITDA margin has been a very positive surprise. So, a steady state EBITDA margin would still be somewhere around between 35% - 40% would that be a kind of a fair assumption?

Ramcharan SR: Yes, that is the range within which we operate, during good periods we go to 40% and during bad times, we might go to 35% and normal periods we operate somewhere between the range maybe 38-39% kind of.

Moderator: Next call is from Deepak Mittal.

Deepak Mittal: My name is Deepak Mittal I work with Edelweiss in the crossover fund. So, my question actually is quite basic. So, there is a significant difference in an increasing difference between the standard financials and the consolidated financials. So, just help me understand what is not included in a standalone, what is leading to and based on the reading the numbers it seems like that we are incurring significant expenses in the outside the standalone. What are those related too and what's happening here?

Ramcharan SR: The main difference is the dividend from the subsidiaries that has come into CAMS standalone from one of its 100% subsidiaries. So, in consolidation we eliminate that when you show the consolidated revenue. So, the last quarter it was mentioned in the press release also it is around Rs. 25 crores of dividend that was kind of from the 100% subsidiary to the parent. So, if you normalize that, everything else is the part of the consolidated results. There is no other major difference in revenue, the subsidiaries if you see, next question was what the cost difference is. So, the subsidiaries we have the insurance repository business which runs insurance business, we have the account aggregator and a separate subsidiary as per the RBI requirement. We have the KRA under a separate subsidiary, which is the CAMS investor services. So, these are standalone companies who incur the costs for their employees for their expenses, which gets consolidated as just the revenue. So, there is no significant cost other than these businesses that is outside, there is no cost other than these businesses that is outside the consolidation. So, to answer your question, it's the inter corporate subsidiary dividend of Rs. 25 crores that is causing the difference in total income and all the subsidiaries they are running costs and revenue gets consolidated as usual.

Deepak Mittal: This is very helpful. Thank you so much. There were a number of these initiatives that sir talked about on slide #7, of this presentation regarding CAMS FinServ, AA, PFRDA, CRA for NPS actually I don't understand what is AA, what is CRA what could be the quantum of revenues and

profitability that it could lead to us and in what timeframe, so are these going to be a meaningful contributor to our profitability, so what is the size and scale of these opportunities and by when they are likely to get realized?

Anuj Kumar:

Account aggregator is a brand-new concept to India, it exists overseas. And under the aegis of the non-banking supervision division of RBI licenses have been issued to about five to six entities to act as account aggregators. Simply put, this creates a seamless link between various providers of financial institutions. If you think of yourself, think of all your bank accounts, all your fixed deposits with NBFC, think of your insurance policies and in a more extended manner, think of your other capital market assets. It will allow you to give a single consent and pull all the information relating to these investments through the account aggregator mechanism. And if you're seeking a loan with an NBFC at that point, they will act as, information user so that is the architecture. This activity is just beginning, it doesn't have a history in India. And there are no specific industry size estimates right now to see what carve out of that revenue will happen over a period of time. So, the business will begin sometime in 2021. I'm expecting that revenue will begin accruing to the participants in 2021. Too early to speak about either revenue size or percentage margins or contributions. All of that will take maybe a couple of years. But it looks like a very contemporary market friendly opportunity. On the NPS, you are aware of NPS as a pension as a retirement product popular for let's say the last decade plus now across the country. There are two incumbents CRAs so think of a service provider who does the entire backend maintenance of managing the account, keeping a record of the assets, sending out statements and interacting with the individuals, most of the NPS in the country is bought through the employer. So, it is typically about when the business begins, it's typically about building a servicing platform in which we have a lot of experience because we've been doing investor servicing and record keeping as a business for 2.5 decades now. Then the other is acquiring corporate consumers, whose employees would like to buy NPS there are two incumbents today. NPS and PFRDA together decide to expand the kitty and we have been declared eligible to get a license. So there are standard rates, etc., which apply in terms of what can you charge an investor but this will again emerge over a period of time, we haven't yet got the formal license, once we get the formal license, let's say, in the next coming weeks, or let's say the next eight weeks, it's expected it could happen and then they will be about a 9 month period, 9 to 10 month period for us to build out the platform and go live.

And then there will be a long sales activity to start acquiring consumer. So, while pension servicing is a very exciting space. And NPS has been very, very successful at the base level, especially catering to government and semi-government enterprises and penetrating the private sector well it has a lot of scope to grow. So, it's an exciting area to get in. But again, I will not state any numbers right now in terms of what could be the contribution or revenue, but that's conceptually how these two businesses stack up.

Deepak Mittal: But what is the kind of revenue or the business for the two CRAs that are currently operating in this market, do we know what is the total revenue they are earning between the two of them?

Somasundaram M: There is no information the public space, but we estimate it to be around 140 crores or so. It is sort of guesstimate is how I would put it, as there is no publicly available information.

Deepak Mittal: Sure, thank you that's very helpful. My last question, that by our overall AUM we seem to be gaining a bit of market share, or we are growing a little bit faster than the industry. But on the equity AUM side, it seems like we are losing market, is that kind of an aberration that you would expect from a quarter-to-quarter, or is there something more structural in the sense that the young AMC's are sort of growing faster than the market and hence, we should think about, we should kind of project ourselves when we're building models that we will lose a little bit of a market share on equity AUM annually, as many of the young AMC's or the smaller, faster growing AMC's are probably with competition?

Anuj Kumar: Sure. So, let me try to answer that, see over a period, AMC's have had different growth trajectories and between every other feature, there are two things which especially matter, one is performance of schemes, and the other is the sales infrastructure that you create. And you would also be aware that largely captive distribution-led AMC's which is the bank-owned AMC have had a somewhat of a bit of an edge over the past time period in terms of having acquired customers, so the bank already has acquired customers, they have to be sold this product. There are many other things which matter which is quality of servicing, and quality of reporting, etc. But investment management and customer acquisition, are the two-core metrics. And in the last five years, SIP became the key route to acquire equity customers. So that was the preferred route for customers to get in. Over the last many years, if you take calendar 16, to calendar 20, we expanded gross market share from about 61% to 70%, largely led by a creeping share by the constituent AMC's. Now obviously, like you know the number one position has changed in the last five years more than once, the number two position has changed so rankings continue to change and in the short run, some schemes will have a better run than the others in customer acquisition. So, with the digital formats coming in, the digital platforms are becoming as strong as the banks and some of them may contribute more consumers. We don't see this as any large shift in trend, except that the better performing schemes and those AMC's will continue to gain share, which is natural and the ones who are able to sell better and create better sales infrastructure will also continue to gain share. That's just an abiding fact about the market. So, it's a good metric to track, we don't think there's any structural change here. It is just in terms of who has done better in the three- or six-months period.

Moderator: Thank you Mr. Mittal. We will move ahead with the question from Devesh Agarwal from IIFL. Devesh you can go ahead.

Devesh Agarwal: Good morning everyone, this is Devesh Agarwal from IIFL Securities. My first question is, if we see the AUM growth in the quarter that you

have reported is 11.6%. And the asset base revenues have grown at 11%. While there is a fall on the equity share on AUM from 37% to 34%. So how have they been able to maintain these higher effort-based revenue growths, which is very close to the AUM growth, is there any additional revenue that we had in the quarter within asset-based revenue?

Anuj Kumar: So, I will put it as by and large, led by the asset mix like we said, the equity assets grew slower than the average AUM growth, but very largely made up by a very fast growth in debt assets, which grew almost by more than 30%. And also partly helped the again, negative growth in fixed maturity category of assets and slower than the average growth in liquid funds as well. So, I would characterize it as largely due to the asset mix, despite the fact that it will be close to.

Devesh Agarwal: Okay. And similarly, sir, on the EBITDA side, if you see EBITDA yield, they have moved up Y-o-Y, so is it largely to do with our non-mutual fund business kind of going down, which was probably a lower margin business. And that has helped for a Y-o-Y growth in the yields at the EBITDA level?

Somasundaram M: Yes, you are right that is one of the factors, the fact that earlier traditionally, mutual fund business use to be around 87% of the overall revenue. Last quarter, we were at almost 91% level, so the fact that the profitable part of the business is now the larger part of revenue is one of the reasons. The second reason of course is that, like I mentioned there is some amount of, what I would say when the volumes pick up, there is always a lag in our cost catching up. That is also a little bit playing out.

Devesh Agarwal: Okay. And finally, sir, among all our digital properties and the new ventures that we are looking at, which one do you think can contribute to our P&L in FY22?

Anuj Kumar: So let me take that, there are a variety of businesses that we are pursuing in terms of, I would say just in terms of how things look, account aggregator could be an exciting business just given its consumer appeal. And that's where I would stop that given the consumer appeal, it looks that the off take could be strong. However, the pricing mechanisms etc., are still getting discovered in the marketplace. So, whether it will create net revenue streams, which are of any significance in FY22, it is still a question mark.

Moderator: We'll move ahead with a question by Mr. Madhukar Ladha from HDFC Securities. Mr. Ladha please ask you question.

Madhukar Ladha: First, I don't know whether you covered this, but the non-MF revenue is down substantially. So, I'd just like to know what's contributing to this and some comments around that. And second, the operating expenses for the quarter have shot up substantially want to know why that is happening, and is it also because we are onboarding Franklin Templeton and as a result of that, is there any sort of one-time sort of

expense which would probably go away from next quarter, so some comments on that?

Ramcharan SR: Sure, I'll take that. So, we did cover briefly on this the non-MF business, so as you recollect, we had taken a decision earlier this year or late last year that we will wind down the banking outsourcing business. So that's kind of in its final stages now it's almost been fully wound on so that's contributing to this and there is also a drop in transaction revenue like our insurance outsourcing and some amount of drop in our ECS transaction processing. So, these actually contribute to the decline in non-MF revenue. To your question on operating costs, see this also includes the major increase is coming from out-of-pocket expenses. So, if you see this is compensated by an increase in the top line also. We have not incurred any special expense assets on the FT migration. Obviously, a lot of software development happens, platform integration happens which has been happening for the last few quarters, so nothing exceptional in the current quarter as such, the spurt is more because of the reimbursable expenses that we have incurred which is compensated by the customers.

Madhukar Ladha: Understood. And these migration expenses, which are being incurred right now, are they by any chance capitalized or they are expensed out?

Ramcharan SR: They are expensed out.

Moderator: Thank you. We can go ahead with Sandeep asking the question. Sandeep, please introduce yourself.

Sandeep: I'm an individual investor in your company. What I want to ask like, do you see apart from the products you have mentioned, any product that can fall in line in your business, or for the existing product, maybe some other geographies internationally, where you can introduce your services and build a market share, and second question on Franklin Templeton, what kind of a revenue you are looking at and third, any more color on your dividend payment policy. Thank you.

Anuj Kumar: So, let me take the initial thoughts. Like I said, the overall MF platform, which is now extended to AIF and PMS. We spoke about the reconciliation capabilities, which are very strong in the company, like you know, we reconcile crores of transactions, getting information from 100+ banks. And we do all this overnight, having very insufficient information and yet achieve high levels of accuracies, so those kinds of things, wherever we have a niche capability, we are putting it out in the market and making sure that we can commercially sell it. Now, obviously there will be entrenched players everywhere. But that is our job to make sure that we can penetrate those markets all of them will be small markets. What else can we do, we spoke about both CRA and Account aggregator as opportunities for the future, CRA is completely a sweet spot because it is about investor servicing and record keeping. That's a core expertise, so we will do it for another provider in a very adjacent market. So that's like trying to open out something within India, which is not in the mutual fund space, but in the pension space and should be a good extension. Account aggregator is about handling

information of investors in a seamless, secured manner and giving them statements and adding value to those kinds of formats, which is again something that we have done over a period of time, and therefore all of this falls within a sweet spot. Can we take these services outside India, can we go to Africa, can we go to Middle East, like some of you are aware, we did try that over the last five years and did open up a German subsidiary, which is now at wind down and also had opened up our Middle East office. We met with partial success. But we saw that the intensity of effort that it takes to win over these markets is of a very different kind. So, for the time being, we are not expanding in that direction yet. However, it continues to be in our focus area to explore new markets. Getting the Franklin contract to transition in a copy book way and building out the CRA and account aggregator businesses will be a priority in FY22, and we will remain completely focused on that because these are large opportunities. But over a period of time, will we look overseas again to see if there are opportunities that we could scout for, certainly. In terms of specific account wise revenue, we do not call out account wise revenue. So, I don't think we'll be able to give you an estimate of what Franklin will add here. But certainly, it will be accretive to overall market share and overall revenue.

Somasundaram M: Regarding the question on dividend, our dividend policy is to endeavor to pay 65% of the consolidated PAT of the group. And we would pay it in sort of a phased manner on a quarterly basis. That is how we have been doing it in the past and likely to continue in the near future also, unless something makes us change that. So, but typically in a year, we would try to pay out 65% of their consolidated PAT as the dividend.

Moderator: We will move ahead with the question by Akshay Jogani. Akshay you can ask your question and introduce yourself.

Akshay Jogani: I am Akshay from White oak Capital. Sir, I had one question on the non-MF businesses. So some of these, there are various small ventures that you've tried at, it's not clear to us sitting outside, which of them are sort of how are each of them doing, if you could help us sort of understand these smaller pieces, and where they're going, what kind of investments and effort are being made to sort of make them sort of larger, where are the places where you see large opportunity and I know account aggregator is something that you spoke about, but things that you've invested in for the past two, three years but we keep this sort of understand where they're going, so that's sort of like the key question that I have thanks.

Anuj Kumar: So, if you see, apart from the MF business, if you're talking of strong bets, payments is a strong bet under CAMSPay. This business started as an adjunct of the mutual funds business to process the NACH format for getting payments, or collecting payments against SIPs, it has broadened out and now sell actively to NBFCs, for EMI collections and we continue to look for other deployment areas and other client segments where we can start. Apart from NACH now, UPI, credit card, debit card, those kind of formats, and net banking are available and are becoming available under the platform. Completely own technology and a profitable business is what we run today. So that's an exciting area

like to see payments has seen a lot of expansion in the last 5 to 10 years. We continue to remain bullish on that.

The second is very adjacent to the mutual funds business AIF and PMS, we now service about 100 AIFs. We largely do investor onboarding; investors servicing and now fund accounting selectively. So those are three areas that we do for AIFs and PMS companies. And like I said, we have now broadened out the offering in terms of putting the digital platform out in the market for onboarding. This, again, is completely own technology, business has profit margins very similar to the MF business, and lots of possibility to growth like these alternate formats continue to grow in the country.

Third, you have seen name of CAMSRep. Now insurance repository, which is electronification of insurance policies, the licensing happened in 2011-12. We've done the business for about 10 years; it is not a very broad market. Yes, it's not mandatory to hold insurance policies in digital form yet, but we believe that there will be an inflection point like it has happened in every other industry. And as one of the key participants and with currently close to 40%, market share we will certainly benefit from whatever happens in that marketplace. So, I would count those three as what I would call a mature offering in various stages of scale. And then when you think of CRA, Account aggregator, I would say those are brand new things where we've either got a license or permission to operate very recently, in the last eight to nine months, and in CRA it is yet to happen. Those revenue plays and market share gains, etc., will happen over a period, but we will continue keeping you guys updated on that.

Akshay Jogani:

Sure. I had a couple of follow ups on this right one is on the payment side. The payments, market has a lot of flavors to it in for example you start with the eNACH and then you are doing credit card, debit card, the whole payment gateway system, working with merchants, and there is a lot of solutions on the merchant side too. Which are these pieces so eNACH is obviously something there, and you said credit card, debit card. So, do you see that these are larger of opportunities right now, because they're also fairly competitive as a category and so for you to have an inroad and materially differentiated is not but like large offering do you think that sort of or something that is achievable over the next three, four years?

Anuj Kumar:

So, the marketplace is certainly more crowded than it was, let's say three years back. The size of the market has also grown significantly, eNACH with the mutual funds, has been in a sweet spot, because it is just easier for the MFs to work with us. And like it is part of our core offering, there is no blame game in terms of whether we got it wrong or the aggregate about wrong and we just give them the seamless output at the end of the day. For every other segment, we compete like anybody else would compete. So, it is a competitive marketplace, we have to earn a place through, smart offering and making sure that we fit into the plan of the entities that we are servicing, we still remain largely focused on the FSS sector, and haven't really gone out too much beyond that. But it's a very exciting marketplace. We've kind of gained

the mass that we wanted to, and we have the technology and those are the prerequisites. After that, it depends upon how well you can sell and that's what continues to keep us busy.

Akshay Jogani: Yes, sure. And secondly, on the insurance depository side, what is keeping insurance companies from actively adopting a digital way of issuing and keeping a repository, so what are the reasons why it has not reached an inflection point, and what will change over the next three, four years in your opinion, or what should change for it to kind of reach a point where everyone keeps the repository?

Anuj Kumar: So, the way it works is that, at some point in time we believe that this may become mandatory as part of a green digital go green kind of initiative, because as you can see both from a cost and operating perspective, managing those things on paper is more cumbersome. However, traditionally, whether you take the public sector or the private sector participants, over a period of time insurance has been sold through the agency model. And it creates a lot of engagement opportunities for the sellers and have policy level discussions with their consumers. And because the format of sellers has been comfortable with paper, there has not been a very large push, I will not say there has been no push, but there has not been a large transformational push from the manufacturers yet to transform the marketplace. The merits of the format are as easy to understand, as we've seen in any other sector, whether it is digitalization of shares or any other sector that we are seeing.

So, two things will happen, one if consumers willingly start adopting this, and we see that when people buy insurance on the websites, or on the apps they sometimes just want to open an insurance account in the same instance. So, we've seen some consumer preference to do that. And the second thing is that as a regulator chooses to make this mandatory, the necessary push will come. So, it's a question of holding out there because it's a trend change, waiting for a trend change in terms of how the market behaves. We are completely ready in terms of catering to that market.

Moderator: Thank you Akshay. We'll move on to the question by Prayesh Jain. Prayesh would request you to introduce yourself.

Prayesh Jain: This is Prayesh Jain from Yes Institutional Securities. I had a couple of questions. Firstly, just going ahead with the previous question, could you size up for us these three segments, the payment, the AIF, and the insurance with regards to the nine-month revenue and profitability that you've mentioned that all these businesses are profitable?

Somasundaram M: Like we mentioned, during the road shows that these three businesses under normal circumstance accounted for roughly around 9% to 10%. I am talking about insurance business, payments business and the alternate investments. However, during the current year their share has fallen because of lower transaction volume, many of them are transaction-based revenue and they have taken a hit and it has fallen down this year by a couple of percentage points. In terms of profitability,

the payment business, alternative investment fund businesses are profitable business. However, the insurance has been by and large around breakeven level. During the current year, it has suffered a small loss because of the lower volumes.

Prayesh Jain: And understanding would be clear that each of them would be contributing 3% each is similar in terms of contribution to the top line?

Somasundaram M: Yes, somewhat closer to that.

Prayesh Jain: Okay. And second question is on the EBITDA margins, possibly I would have missed out in the initial part of this conversation. This change in EBITDA margin now we have reached on a reported basis, it's around 44%. How sustainable these are in terms of medium-term perspective?

Somasundaram M: Because the Accounting Standard 116 has created some sort of a fiction, with the lease rentals not being shown as expense EBITDA on reported basis looks high. We look at 41% kind of a number, treating that as an actual cash outflow. So, in terms of the sustainability, we have been fairly consistently mentioning it. During good runs, we would be having something around 40% during bad periods, we have gone to 35%, slightly below that as well. And typical good activity period with a lot of transaction volume we have been at around 38% levels.

Prayesh Jain: One of the reasons that you have mentioned was, that the banking business which we are discontinuing, that also was a loss-making business and that has contributed profitability as well. So, does that mean that this is the structural change in the profitability to a certain extent to further for you all to sustain it?

Somasundaram M: See, it did make a loss and it would help in improving the profitability of the business, but having said that, it is not so large enough to move the needle much.

Moderator: Thank you Prayesh, we will move on the question by Mayank, Mayank please introduce yourself.

Mayank: Hi, sir this is Mayank from Franklin Templeton. I have a question in-line with what's largely been asked until now. So, the non-MF services of revenue. Today about 90% comes from MF and the remaining 10% from non-MF three years out, what would it look like, I understand you are told it is difficult to size up the market. But essentially, what I'm asking is can the non-MF sources of revenue grow faster than our MF sources of revenue, for the next couple of years?

Anuj Kumar: So, let me try to take that. New businesses like we said three of them are established insurance, AIF, and CAMSPay. And two of them will emerge but we are not expecting too much to happen in terms of absolute rupee revenue contribution in FY22, if the non-MF businesses have to gain share, obviously they'll have to grow faster than the MF business. And there is a large base effect there, like you know, the ambition of the management, is to make sure that we recoup the share of non-MF businesses, let's say to mid-teens at least, and continue this

diversification in a good year, MF continues to expand with some momentum like we saw in the last quarter. For that to happen, a lot of effort has to come in and also the fact that the insurance market has to point towards net growth, the insurance repository market has been muted, like we have said, because of not too much momentum there. So, all the share gains that will happen, let us say this year, will come from these three products it depends upon how well we sell, and how well the acceptance of the product is.

Mayank: Got it sir, sir one sort of follow up to this, sort of looking at the business model now, and with account aggregator insurance, and all of that, in a couple of years we are potentially seeing ourselves in a situation where we've got a very nice 360-degree view over the customer. We have a sense of his insurance holdings, mutual fund holdings, on his loans on his banking account. In such a scenario, has the organization started thinking about the future that with such a good sort of view over the customer, are there ways to monetize it, I understand it's not possible to monetize them on a B2B format due to privacy concerns. But are there ways to monetize this on a more B2C sort of format?

Anuj Kumar: On a B2C format, while the idea from the outside looks very appealing, do keep in mind that most of this data in fact, all of this data belongs to the principals, which means that the mutual fund data belongs to the principal mutual fund companies, the insurance data also belongs to that and therefore our leeway or elbow room to craft a B2C offering and start selling to them, well, I will also say that it has constraints of its own It is very different to having a set of let's say 10 million or 20 million retail consumers who you treat as your own consumers. So, from a B2C offering and therefore principally, we haven't really gone into designing B2C offerings because there we believe we will be crossing the line, which can militate a little against the philosophy of the core business. So that is where I would put it, the possibilities do exist. But we'll have to carefully tread that line and make sure that the sanctity of the data and who it belongs to does not get breached, even if it is not.

Mayank: Got it. And just a last question from my end. So, paper-based transactions last quarter and the quarter before that had declined meaningfully, where is the proportion right now?

Anuj Kumar: So, paper-based transactions had dip over 25% beginning of 2020, they went down all the way to about 13% - 14%, which is where I would place them now think of it as close to 15%. Will a part of that recoup itself, time will tell, we'd said in the last meeting when it was about 10%, 11% that some recouping will happen, some recouping has happened. So, think about it as 15%, will it go back and settle between 15% and 25%, time with tell.

Mayank: Okay, so it's 15% for the quarter?

Management: Yes, in that range.

Moderator: Thank you, Mayank. Is there anyone else who needs to ask a question? Request you to please raise your hands? We have a question from Ayaz Motiwala. Ayaz, request you to please introduce yourself.

Ayaz Motiwala: My name is Ayaz Motiwala from Nivalis Partners Hong Kong. Sir my question is back on the new initiatives, you have called out about a 3% to 4% each of the three businesses that you're just taking and trying to grow, which is insurance, payments, and the AIF business. So, in terms of the AIF business, you said you are well positioned there, could you elaborate a bit on that in terms of how is that market, what is the market shares and how is that market growing, et cetera. Are you in a position to share that at this stage?

Anuj Kumar: I can give you some directional numbers, unlike MF there are no industry and market share numbers, but I can tell you basis what we know informally. So close to 500 AIFs exist in the country, not everybody outsource. Between AIF and PMS, we service about 100 clients and like I said in the areas of investor onboarding, investor servicing and some for-fund accounting. The area has a lot of potential to grow, because as the HNI population increases in the community like you may have seen, participation and alternatives always tends to grow. So that's a large possibility, a lot of the AIFs in India, their fortunes were linked to the state of the commercial real estate market. So, there were headwinds there for about a year and a half. We can't claim all of that has gone away yet. But that did impact the market for some time, I would say all through 19 and 20. We are seeing registrations coming back on an even keel and people who had registered as AIFs are now launching and basically seeking subscriptions, which is the core activity in the market that we want to see. So, we are the dominant player. But every AIF unlike mutual funds, everyone does not outsource the tendency to outsource is even smaller in PMS. And therefore, we are at a stage where we service the 100 AIFs it has about a 3% contribution to revenue, makes a steady margin. But market making is the core activity that we need to do there and therefore all pain areas for example, distribution of commissions, investor onboarding, so we are focusing on pain areas and trying to solve them and see if that will materially server the reason for the AIFs and PMS companies to get induced to participate in outsourcing. Again, it's a long sell cycle, we typically in a good year on board about 20 to 25 new AIFs the revenue contributions are small. So that is where the market is, overall, I would say if everybody chose to outsource today it could grow to about a Rs70 - 80 crore market today, which is not a bad market at all. And given a position we've been the dominant players there, but it will include a lot of selling and revenue comes in small packets.

Ayaz Motiwala: Sure. Sir just a sort of a side question on that, you did talk about customer onboarding on the PMS side and AIF as a solution that you just about starting to roll out in offer and then is an eKYC initiative by SEBI and also the Aadhar card is the basis of a lot of the eKYC verification, et cetera. So, do you see this as a positive sort of tailwind to the business or this is actually going to be facilitated far easier for others and does not convert them into paying customers like the AIF guys who are currently not outsourcing on a 100% basis?

Anuj Kumar: No, so eKYC when you think of a customer onboarding, that onboarding in the PMS world is essentially about the person filling up a form, getting KYC, opening a bank account and opening a demat account. Now, when I talk of the digital onboarding solution, it is this A+B+C+D, it's all of it comes together and can be done in a single session, completely digitally, including issuance of stamp papers, etc., and the details are on our website. So, you can read some of that. But it brings all of this together. eKYC of course is a very large component of this and with Aadhar based eKYC now having been permitted, and that going live will make life easy to onboard, just any consumer in the capital markets. But eKYC is just a subset of the whole thing because like I said, the entire form filling, the KYC, the bank and the DMAT account opening, it's almost those four or five things coming together in one single electronics session.

Moderator: Is there anyone else who has a question, request you to please raise your hands.

Moderator: As there are no further questions. This concludes the call for today. Thank you everyone for participating in the same.

If you have any further questions, please send an email to gaurav.g@conceptpr.com or anish.sawlani@camsonline.com. Thank you and have a very good day.