"Computer Age Management Services Q3 FY22 Earnings Conference Call"

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MANAGEMENT:	**MR. ANUJ KUMAR – MANAGING DIRECTOR, COMPUTER AGE MANAGEMENT SERVICES LIMITED** **MR. RAM CHARAN SESHARAMAN – CHIEF FINANCIAL OFFICER, COMPUTER AGE MANAGEMENT SERVICES LIMITED** **MR. ANISH SAWLANI - INVESTOR RELATIONS OFFICER, COMPUTER AGE MANAGEMENT SERVICES LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to the Computer Age Management Services Limited Q3FY22 Earnings Conference Call. We have with us today, Mr. Anuj Kumar, Managing Director, Mr. Ramcharan S.R. – CFO, and Mr. Anish Sawlani, Investor Relations Officer. 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 * than 0 on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anuj Kumar. Thank you and over to you sir.

Anuj Kumar: Thank you, Janice and good morning, everyone. I appreciate all of you joining this Earnings Call of CAMS for the third quarter. We will begin the presentation last about 20 minutes and then we should have enough time for Q&A post that. So, just like all of you understand, and I will talk about our core business first. The Indian Mutual Funds Market has undergone a change in sentiments starting from the month of June and July. You have seen a fairly significant and scaled level of activities across all the core segments in the arena.

Riding on all of that as far as 3Q for us is concerned our overall assets the AUM, CAMS Service Funds was at a historical high of 26.7 lakh crore, which is a fairly large expansion both year-and-year and quarter on quarter.

We also saw lifetime highs in transactions, this is a good metric to watch in terms of consumer engagement. Two quarters back, this number used to be in the range of 80 million, grew to about 100 million in the previous quarter (in 2Q) and in 3Q with it over 11 crores transaction which is about 110 million. SIP registrations which represent the solid continuous repeatable part of the consumer franchise scale to almost the same number or similar number that we have done in 2Q, so 43 lakh new registrations, which is a fairly scaled number. Our overall SIP book grew 9% in this quarter riding on two trends, one trend of course is new SIP is coming in and the other is given the buoyancy in the markets and investor interest, the rate of cancellations or exits was much lower. So, that grew about 9% and then if you take equity AUM as the core metric of the industry, which represents a lot of retail participation, then for camp service funds, this number grew by over 8%, 8.3% over the last quarter.

The asset was strong on digital, continued to be strong on the digital side. That is how consumers continue to interface and interact with us. CAMS digital properties now represent an aggregate AUM this is the sigma of all the investors who have participated or registered with our digital property that just short of 8 lakh crore at about 7.9 lakh crore.

Our websites continue to be very popular for a variety of reasons and hosted over 11 lakh visitors every month on average. myCAMS investor app continued to show a great deal of momentum. Over a million users logged in to this app every month. October showed over 10 million that is one crores user sessions, which was a significant milestone for us in terms of active users, which means users who like to come a few times in a week or sometimes every day to monitor and transact and MFCentral as was a specific digital property built by the two MF RTAs in response to stimulus and guidance from SEBI that went live in September. It has over 1.25 lakh registrations in the very first quarter, which was Q3 FY22- October, November, December 2021, since the launch. This was a website only property, now is available on both the Android and iOS apps and will continue to get into non-financial and financial transactions in the next two months. On the other elements outside of post mutual funds, we continue to see a significant momentum in the AIF and PMS business, signed up 11 new customers at the rate of almost one a week.

CAMSfinserv which envisages to change deeply entrenched habits of consumers by transacting on paper, especially on the AIF side. We have continued to gain momentum. We have 15 signups, six in the last quarter. We also commenced operations in the GIFT City and in the quarter, two new clients signed up to get service from the GIFT city, that office is now operational with staff and services. Our CRA platform is progressing well and due to get into a soft launch within this month, in the month of February, and then into a full-fledged commercial launch starting with eNPS and then going into the corporate sector with POPs in the month of March and lastly our account aggregator platform is now live there were four banks active, now there are eight, a couple of the big banks have been testing for some time slightly delayed in joining but this number should expand beyond it quickly. Additionally, on the TSP side, which is the technology service provider side, Finduit, platform put out by Sterling Software has seen a lot of interest. Across the TSP and AUAwhich is the richest way to engage with this market for a supplier like us when you sign up the same client for both TSP and AUA across the companies of course. There are now 10 signups all waiting to go live over the coming week and like we have said earlier, because A-license remains on tap, there are of course, five license entities, four with products out, one will get the product out over a period. On the TSP side, it is more it is almost 20 entities that we see participating, although it is not a specific license activity yet. So, accurate counts are not available, but you can easily think of it as 18 to 20 entities will continue to participate in the marketplace. A little more on the account aggregator side like I said, these new entities are alive in the ecosystem. There is a push from the regulators and on to PSU banks etc. to participate like I said a couple of banks are testing in very advanced stages of testing and should come in. The industry is trying to solve creative problems. This remain mostly in the lending and underwriting space. Over a period of time, this will get into certainly to wealth management and other spaces and it is a very-very active area with a lot of blogging, opinions, points of view, frameworks, architectures, coming up for the used cases. So, across the board whether you see banks and NBFCs, both active for lending and monitoring. Brokerages because they need bank statements as users for Escrow account opening that segment is opening up similarly in insurances and FIU and wealth management will open up as and when the semi-regulated entities are prepared to offer their services from a depository mutual fund perspective, which has not happened yet, but from a bank account balances, those kind of perspective, wealth management is already thinking of use cases. So, lots of lots of activity and excitement on that side.

On the National Pension the CRS side, that we had got the license about a year back. We are about to launch for ENPS towards the end of the month. This means that our integration with a large set of POPs, pension fund managers, CRAs, trustee banks, etc., had to be done which is all done now. Most of the testing is now complete, the **(Inaudible) 0:09:04**, etc, are all completely enabled, some testing was left which will happen in the balance two, two and a half weeks of February, but we are confident towards the end of the Feb. Early March we should be able to launch the eNPS part and then overall, you would have seen a lot of consumer centric activity coming from both POPs and PFMs in terms of promoting the product. This of course is the last quarter. A lot of this product does get bought for tax purposes, but we are seeing a lot of excitement. So, like I said we will go live for the all segment in about by the end of the month and then the corporate sector through POPs in the month of March. MFCentral like I stated is a portal and a web property and a set of apps which provides a single interface for a mutual fund investor across his holdings across all mutual funds. Starting from looking at the holdings to monitoring the returns, in the near future or **(Inaudible) 10.09** non-commercial transactions to commercial transaction to watching the status of the complaints and queries across mutual funds, looking at a dashboard, etc, it creates a brand new paradigm. Like I said, the website was active earlier, the Android and iOS apps went live in December. The investor dashboard is available now and then over a period of time, very quick next, maybe eight weeks, financial and non-financial transactions should be available and then the API architecture to service other entities in the mutual fund space will also be available for them to start showing things like CAS in a unified way and also then start sourcing the transactions through the portal. So, exciting times ahead for that. Overall, then I am just moving to broad operating metrics for us in the third quarter. Our market share based on quarterly AUM was in the range of 70% net flows into equity as you continue seeing in various press statements or releases, have remained positive throughout 3Q. Inflows through SIPs have gone up smartly, almost 5% successive months during the quarter.

Riding on all of that, total AUM of CAMS to scale to Rs. 26.7 lakh crore up 28.4% year-on-year and about 4.5% quarter-on-quarter and then when you see equity AUM riding on both mark to market gains and sales across both lump and SIP segments has gone up to 10.9 trillion rupees almost upwards of 50% year-on-year and 8.3% quarter-on-quarter, the industry AUM touched 38.2 trillion, which is also I have been almost CAMS mirrored the industry growth. So, that was 28.6 % year-on-year, about 5.5% quarter-on-quarter and similarly the equity AUM, overall, the industry went up just short of 10% quarter-on-quarter, 50% year-on-year, so smart growth across all the code metrics and like I said, our transaction volume at 110 million was up 8% Q-on-Q about 35% year-on-year.

The SIP book at 2.8 crores is 28 million, up 9% quarter-on-quarter, 38% year-on-year. Systematic transactions processed almost mirroring that growth 9% up quarterly 43% up yearly. Live investor folios predicated on new investor participation and investors moving into multiple mutual funds, up 5% quarterly up 23% year-on-year you have seen these numbers and then a unique investor service number crossed the two crore mark 39.6 million 18% quarterly and 33% up annually. So, that was really a commentary on the core set of operating metrics what we saw in the market from an investor, transaction, asset, and accretion that point of view.

I will hand over to Ram Charan to speak about the financial numbers.

Ram Charan Sesharaman: Thank you, Anuj. So, I will just take a couple of minutes and give a snapshot of the financial performance of the Q3.

From a revenue perspective, we ended the quarter with revenue of 237 crores which was up 27.8% year-on-year and 4.4% quarter-on-quarter. This almost mirrored the growth in the AUM that you saw and hence the mutual fund revenue. Out of the 237 crores the MF revenue was 215 crores which was again up 27% year-on-year and 4.7% quarter-on-quarter as we generally do we split the mutual fund revenue into asset-based revenue and non-asset-based revenue, the asset-based revenue was 179 crores for the quarter which is up 26.5% year-on-year and 3.5% quarter-on-quarter. This again is tracking the growth in the AUM if you recollect the AUM grew by 28% year–on-year and 4.5% quarter –on-quarter.

On non-asset-based revenue this again grew 32% year-on-year and 12% quarter-on-quarter. The non-asset-based revenue as you will recollect includes the transaction revenue or central revenue. What contributed to the increase was the transactions recovered when compared to last year and also there was some increase in the call center revenue and as you would know, the last two quarters have been very busy from an NFO perspective, so there is some amount of NFO revenue that has come in the in the current quarter two. So, overall non-asset-based revenue grew nicely to 32% year-on -year. The absolute number for non-asset-based revenue for the quarter is 36 crores.

The non-MF revenue, we have started recovering and on a small base, there is a growth year-on-year of 32% and on a quarter-on-quarter basis, a little more than 1%. The non-MF revenue mainly consists of the AIF of business, we are seeing a lot of traction from AIF perspective where there is 25% of the non-MF revenues actually AIF revenue and there is the CAMSPay which is the ACH and digital revenue that we have from our payments business that is kind of doing well that is kind of up quarter-on-quarter and year-on-year and then we have the insurance depository, which probably contributes 20% of the total non-MF revenue and that is also up on a sequential basis and on a year-to-year basis.

The CAMS KIARI and SSPL which is our Sterling Software 100% subsidy. The external revenue of SSPL plus the KRA revenue contributes to almost 25% of this non-mutual fund revenue. So, overall, from a revenue perspective, we have seen good growth in the in the quarter compared to year-on-year as well as quarter-on-quarter and the asset-based revenue tracked largely the growth in AUM. As we generally see when there is a growth in the assets under management there is a small depletion that we see in the East, but however, this is kind of kept within the overall trend.

From the overall scheme, there has been a small depletion but it is not more than 1% and over the long-term average of the last six to eight quarters, the yields have remained broadly stable with a small fluctuation quarter-on-quarter. What has contributed to this in spite of the increase in AUM has been the increase in the equity component of the asset mix as you will recollect, the equity is the higher yielding component of the entire AUM billing for us. So, the equity component which was around 34% last year, same quarter and 39% last quarter has come up to almost 41% in the current quarter that is a kind of offsetting the depletion that we will get because of the telescoping pricing structure. Overall, a very satisfactory performance from our revenue growth from asset-based, non-asset-based and a non-MF revenue for the quarter.

I will just give you a snapshot now of the profit and the EBITDA numbers. We ended the quarter with EBITDA 107.48 crores which is up 41% year-on-year and almost 8% quarter-on-quarter, the comparable number for the sequential quarter was 99.8 crores and the last quarter of the same year, same quarter last year was around 76 crores. So, this is again to clarify calculated it is on a conservative basis which is the rent paid is taken as an expense and not the 116 or at least capitalization basis. If you went by that 116 basis then the EBITDA would be a little higher than the 45.2% that we are showing here. The PBT again grew almost 35% year-on-year from 75.5 crores to 102 crores and 6% quarter-on-quarter.

There is some amount of additional depreciation as we have kind of informed the earlier quarters also we are investing heavily from a technology infrastructure perspective in order to ensure that we are fully equipped to handle the transaction volume that is increasing quarter-on-quarter and we are going to invest a little ahead of time to ensure that there are no problems on that. So, there is a moment of depreciation costs that has come into the quarter because of the additional capitalization, but overall good growth on the PBT too. We are at 102 crores for the quarter as opposed to 175.6 crores for the last year. PAT again grew 37%, PAT margin of 32%. We ended the quarter with 77.3 crores of PAT as opposed to 56.4 crores in the earlier year. Again, a good growth of 37% year-on-year and almost 6.6% quarter-on-quarter.

Our return on networth continues to be impressive at around 50%. It has been around this range for the last few quarters and we entered the quarter with a healthy cash-and-cash equivalent balance of around 418 crores. The board has declared an interim dividend of Rs. 10.75 per share in the board meeting that was held yesterday. That is a kind of the record date is on 19th of February. If you see the trend of the chart that is given in the presentation you may have a look at it. Just a couple of points I will just call attention to one is the EBITDA that we have clocked for the nine months of 294 crores is actually higher than the EBITDA that we clocked for the entire year of last year.

Similarly, for PBT the last full year PBT was around 274 crores, but our nine month PBT is around 283 crores and for a PAT it follows a similar trend. The last full year when I am talking about year, I mean a full year PAT was around 205 crores but the PAT for the nine months is around 213 crores. So, we have kind of surpassed the performance from a financial metrics perspective of the last full year Q3 current three quarters nine months and there are various charts in the presentation I would urge you to have a look at it in terms of the trend of the operating revenue and trend of the operating EBI, EBITDA, percentage, PBT and PAT percentages. All of this is showing an increasing trend over the last few quarters.

So, this is broadly the snapshot of the financial performance and I would now leave the floor open for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question answer session. The first question is from the line of Punit Kumar from Reliable. Please go ahead.

Punit Kumar: Mr. Ram it is a pleasure hearing such a wonderful performance orientation from both of you and it makes us proud member of CAMS as a shareholders. I wanted to just ask one question not related to the actual performance that both of you and your team have delivered, but something that I had asked you earlier also. It is very difficult to find any company which grows by over 30% both in PAT. But still Walburg Pincus decided to disinvest 25% of its stake. I would like to have a small word on it in case possible otherwise you can say not decided by us.

Ram Charan Sesharaman: Okay good question. You think of it this way that we have set of investors in the company and each of them comes with a different point of view. You know that there are strategic long term investors who been with the company for 20 years over two decades and of course, Warburg is a private equity firm, had come into the company in 2017 and will continue to take views on the market and views on a particular sector and an investment, you should also see that from the time an investor enters one big pivot point for them is the valuations they are able to attain in the market and I would say unless you guys must be seeing since you track the market that there are a lot of times for investors, there is a point of exit in terms of what return expectations they came with and what they got. We believe that that is perhaps the only lens to look at this from a no other lens. They made a very sensible investment back in 2017. They have been able to get scaled returns and at different points, they will continue to rebalance their holdings. That is the only thing I would look at. I do not think I would make set up with expectations of returns in the future, etc. because compared to the point that came in, and compared to the price we IPOed, there has been significant headroom available to investors.

Anuj Kumar: Sorry, I just like to add that they will continue to be promoters or the company holding more than 20% of the share capital.

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

Prayesh Jain: Just a couple of questions. Firstly, if I look at the yield they have been flattish and it is a commendable job there, but I just want you to understand, is there any negotiation going on with the AMC for a future reduction in the margins looking at your superior profitability and the pressure and profitability what the AMC are witnessing right now that is one point and secondly, on the account aggregated piece of the business value at the bank, just eight banks that have registered on your platform right now. But what are the talks with regards to the blood bank and by when do we see this scaling up to larger heights?

Anuj Kumar: Okay, I will take your second question first, we will talk about the yields and I will ask Ramcharan to comment. So, on the account aggregator side, essentially right now, the RBI governed entities are participating over a period of time and that period of time our expectations should not be very long, should happen within this year where the capital market entities or the insurance entities will also step in because that is how the architecture has been. Four banks, which is HDFC, ICICI, Axis and IndusInd have been active on account aggregator platform for some time. In the last about 3-4 months, Federal, KVB, AU Finance and IDFC bank have added in. Now these are available to all account aggregators to pick data from. What this means is that they are all now registered FYP, you can go and integrate and start picking up data every time somebody gives the consent. There are two or three large banks which are in advanced stages of testing like Kotak, SBI etc, you reads the names, as that number expands, this part will then become popular. So, today, think of it this way that on a particular website, a lender may give the option that you can upload your bank account will also give you a button saying if you want to give a consent, if you are banking with one of these eight banks, then you can come through the account aggregator out, it is for the individual to then either choose that route, but the number of bankers you are seeing is still limited, or still keep doing physically what they were doing. I think that shows that change of habit, etc. will probably take a few more quarters, maybe another two three more quarters to become entrenched. We are also seeing that consumers now in order to monitor the bank accounts are downloading the consumer apps also. So, as all this momentum builds in, you will find more and more banks getting active today that number is 8 and it is an equal participation with all the account aggregators, any of the aggregators can pull data.

Ram Charan Sesharaman: Prayesh, if I can just take your question on yields. So, you are right the yields have remained flattish for the last few quarters plus or minus point 0.01 or 0.02 kind of a small bit moment. See, what has helped is obviously the mix, mix has helped in terms of the equity mix going up and that is kind of beneficial to our yield. Specifically to the customer contracts as usual there are some contracts which to come up for renewal every year and so, on end of this year, there are some contracts that will come up for renewal, we will stick to our stated philosophy which is that if there is a growth of the assets, in terms of performance in terms of asset growth, then there will be some amount of remissions that we will give if there is nothing then the remissions will not be substantial. These are again discussions and negotiations that will as we speak will have started and will happen till 31st of March, but just to kind of say it is nothing unusual from the overall perspective, which is the negotiation that happens when the contract comes up for renewal, which is what is happening now and we are sticking to our philosophy, what we kind of said earlier in terms of giving remissions if there is substantial growth in assets.

Prayesh Jain: Sir just a following up on that. You know sir earlier you were mentioning that the EBITDA margin, the one that you report, this quarter net margin were of 45%? You are guiding for a 30 to 40% range? Would you like to upgrade that now at this kind of delivery be between and additionally, that is earlier it is spoken about SP not breaking even this year, in spite of that the profitability is really wonderful. So, how do you see the margins going ahead?

Anuj Kumar: Yes, great question. So, yes, we have seen the EBITDA margins inch up over the last few quarters. Our expectation was in good quarters. It will be the early 40s coupled with some good cost, cost initiatives that we have taken in terms of automation and in terms of other things that we have done internally. The cost management has been pretty good over the last few quarters hence it is a kind of a little more than what we expected. However, from a long-term perspective, we would continue to hold the view that in a good quarter it would be in early 40. That would be what we will continue to hold the view on in terms of the EBITDA margins. In terms of FT, well we do not give specific margins, I think FT has done a little better than what we expected in terms of overall margin expectations. However, it is not very different from what we predicted, the operations have stabilized and we do not see any, any reason why we should have a longer view in terms of going breakeven. I think it is close to break even now, and we are in line with expectations.

Moderator: The next question is from the time of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: My question is, I have two questions one regarding the myCAMS app count that you shared, it is the most investor preferred app, would you be able to share some light in terms of how does it compare with some trading or slash investor apps which are there from some players like Grow and all how would that compare with our traffic in myCAMS? If you have any idea of that, that is one and secondly, in terms of the pension revenue, you said that the total pool is around 170 crores, but we are part of the citizen segment. So, some monetization trajectory for that pension plan going ahead, if you can share some color on that?

Anuj Kumar: Sure. So, let me answer the first question. First, on myCAMS, myCAMS right now is just short of 5 million registered users, which is about 50 lakh and like I said, about a crore active sessions have been seen as the highest in terms of investors using it. In its basic character, it is a pure mutual fund knowledge non-advisory app. So, like from our stated philosophy perspective, we have created utilities which help investors execute the decisions, but we do not bring them to the decision point. We do not compare asset classes or direct equity versus mutual funds, etc. When you look at the Fintech apps, obviously, that is their objective they want to play in the advisory and execution space. So, they will pick out which assets the consumers are buying, how are metals compared to direct equity compared to mutual funds, etc. We do not do any of that part of that scope restricted, but that is our philosophy because we want to continue remaining entity neutral and business neutral. From a numbers perspective that subscriber numbers are now kind of broadly known across the markets. This is the largest app in terms of consumer franchise size, and was the largest till some time back in terms of quantum of transactions, that is an easily measurable thing that we can see. Over a period of time from a consumer number perspective, it continues to be the largest. Of course, the Fintech will do what they have to do and obviously, they have a lot more variety in terms of asset classes, direct equity, insurance, all of those things, which we do not do and are not allowed to do on the app.

Ansuman Deb: Sir on this part, I just want to understand that you know, one way of possible diverting this traffic to some monetizable way could be MFCentral, that is if at some point down the line if there is a financial transaction, as you said would come in. So that would naturally be a kind of cross sell or kind of a thing to the MFCentral.

Anuj Kumar: I think philosophically, MFCentral will remain the same, it will not become a recommendation engine. It will not have algos or bots to predict what asset a consumer should buy, it will remain a transaction only app. But yes, under the architecture it is allowed to charge. All of that is emerging we should be able to tell you a lot more concrete stuff in the next quarter when we come back on how MFCentral's charging methodology will pan out, but from a philosophy perspective, it will remain mostly on the non-advisory side.

Ansuman Deb: And on the pension part.

Anuj Kumar: On the pension part what is happening is that you saw that number of about 170-180 crores overall which is the revenue base in the market.

So, there are two three things which are happening one of course is that pension is becoming an actively sold product. There was a time when you only bought it through the employer, ,but now you would have seen I mean, if you just see how banks and PFMs and others are promoting in the last six months, you will find that everybody is trying to put a proposition out to sell. That's one. Second is the direct plan, which is the all NPS part, eNPS part is becoming popular, and especially popular in this quarter, because a lot of people buy pension for tax savings. As we get in, we are expecting that through techniques of demand generation, etc. and communicating with individual investors, we should be able to build a momentum on the eNPS side. Corporate business has to be built through the POPs or the points of presence, we are integrating with them. In most we will be one of the three CRAs available and it depends upon time to see how they are able to apportion traffic, and what fraction of the traffic we get. Government, like we have said in the past is a long lead, because it takes time breaking in and getting a decision out. So, that is really where we are. I think in the initial days, we are not expecting volumes to cross more than 400-5000 a month and over a period of time of course, these will also scale as we start acquiring corporates. So, think of it like that, it will have a revenue built out, let's say starting from the month of March, April, and it will slowly grow. Initially, it be largely eNPS, that market is not very large, that market is of the order of a few 10,000 a month. So, we are expecting that we should be able to get to a few 1000 a month in the initial period in first three, four months and then we will scale from there.

Ansuman Deb: And one last question to Ram sir in regarding this, the EBITDA margin that you said. So this, after in this the kind of margin that we have seen, a part of the increase is also because of the transition to this in this thing, right from our pre IPO times. So, I am saying that going back to 40 structurally is like because we are now way above at 47.7. So if you could share some of the thought processes in why we think you know, these margins right now is not sustainable, it would be good.

Ram Charan Sesharaman Sure Ansuman so we would obviously like it to be sustainable, you obviously like to maintain the margins, no two ways about it, but then this has something to do with the long term trend that we have seen in the past. So, historically, what we have seen in the last 10 years, we would assume from a margin perspective, unless there is a big re-rating that happens would actually play out in the next few years also, that is the philosophy behind that and some of these cost catch up will happen in the next year in terms of the salary increments that happen in terms of the other investments that we do, although it must not be substantially high. But there is some amount of cost pressures that we will get in the coming years. So, and the assets growth you have seen has been phenomenal in the last few years. The long term average for the asset growth has been projected to be probably less than 20%. So, it's 17% 18 % or for the 14%, if you take a more conservative view, so building all those things into the picture, and also accounting for some amount of operating leverage, but also the additional investments that we will need to keep doing from a technology perspective, from a platform building perspective and from in terms of assets and IT infra that we need to build. So, all those things put together, we feel that there will be a balancing out at some point of time and hence our long term view is what the past taught us, which is around the early 40s. However, we will be happy to beat that obviously our endeavor is to keep retaining the margins, but these are the other factors that you need to consider.

Anuj Kumar: Yes. I only add to this, if you see last year, and obviously only three quarters have been declared but if you draw the trend line, it is a year of significant revenue expansion. For the period prior to that, I mean if you started with the JFM of 20. So, if you took five quarters there was hardly any revenue expansion like you have seen the numbers. So, it has been a year of significant revenue expansion. It has been a year of significant work expansion, because as a transaction records, etc., grow investors' expectations for instant service and therefore we did put in a lot of money in CAPEX to spruce up the IT infrastructure, the security capability, and the risk and compliance infrastructure. So, we have had a, I would say, significant revenue growth after a long period of time. We made the right investment and some of that would have helped the margins to creep up. Now what we have to see is that years of supernormal revenue growth will not happen every time it will be back to normal revenue growth. In which case, as Ram said, we are expecting that we should be in the 40%, maybe early 40s range and this was perhaps a little influenced by much deeper revenue growth, which came within a space of four quarters.

Ansuman Deb: Right, right. You know, I am saying that the employee count would that also increase last or the cost increase that you think more on technology or employee count will also increase.

Anuj Kumar: No, more on the tech side, more on the tech side, the employee count is going up, like we have said, only in the select areas, not in the front offices, not too much. Not in the processing side, because we continue to automate and find more systemic way of solving problems. So, employee count only goes up in those four or five areas, like I have said in the past, which is technology, both infrastructure designing and coding, and in rest compliance, cybersecurity, analytics, those areas, those are not very large counts. So, you will see that we have kept for a long period of time, our employee headcount remains within 7000 plus minus 500. Despite the galloping of assets and records and transactions, the large investments come mostly on the tech side.

Moderator: The next question is from the line of Paras from SAMCO Mutual Fund. Please go ahead.

Paras: I have three questions. The first one is that, the past recent trend is that the new players, new entrants in the MF industry are going to the competition and now there are two new accounts up for grabs. So, what will be the strategy to acquire these new MF entrants? Second question is that post 31st March, transactions from the pool account will not be allowed. So, what would be the implications on the number of transactions and consequently, on our transactions linked income and the third question is, competition has recently acquired witnesses offering fund accounting and reconciliation services to build a comprehensive solution offering and strengthening product portfolio what is the policy on such acquisitions and making CAMS a comprehensive player? Thank you.

Anuj Kumar: Sure, so let me tell you that as far as new logos are concerned in the marketplace, new MF logos for a long period of time, most of the new significant logos have all come to CAMS. You can look at that over the last 5-6 years. Even in the recent times, it is only when an entity or a new age Fintech entity has gone and bought an existing mutual funds, the ones that you are referring to were buyouts and buyouts typically continue with the same RTA. They do not come back to the market for an RTA churn. Otherwise, including FT recently in 2020, and if you go back, most of the significant brands have all come to us. So, and you can do a name comparison, the 44 names were published on the website and you can take a look, or you can do a separate conversation with us and we can help you understand. That is point number one. Point number two, as far as pool accounts are concerned, what has come out from SEBI is that pooling of accounts and mutual fund units will not be allowed and one-time mandates will be restricted to only certain kind of entities that will not have any impact and we do not see that having any significant impact on us. In the end, it is a consumer's transaction, which will have to happen. If this exact decision were to be implemented then obviously, only the AMCs are allowed to have one-time mandates and that dispensation could come in. If the current dispensation is allowed, with some more iron cladding and stronger practices, then the one-time mandates will continue but think of this way, when you do a transaction whether you are paying for one time mandate or you paying through UPI or are you paying through any of the NEFT/RTGS any form, including a debit card, all the processing anyways comes to us. So, that will not make a significant difference in terms of how the processing happens and in terms of transaction revenue it will be completely neutral. That is point number two. Point number three, you have said that our competitor has gone and made an acquisition. So, obviously, they will make acquisitions wherever they feel that all it is completely their decision in terms of what they would like to acquire but wherever they want to fortify their suite of services, they will certainly do this. As far as you can see, CAMS has been the market leader this would largely to do with the AIF PMS market. CAMS has been a market leader for a length of time now servicing over 120 AIFs and PMS companies, 15 of them, like you saw have now bought CAMS well serve, which is a composite solution to bring in paperless onboarding, including doing stamp paper, e-signing, etc. So, that is a proprietary solution, the companies are coming in including for the GIFT city etc. So, we already have a comprehensive solution in place in the marketplace. As far as reconciliation is concerned, our product recall dynamics have now been in the market for over two years. Servicing home finance companies, insurance companies and also now on the capital market side doing three way and four-way reconciliation wherever single orders are placed, and they have to be segregated at the end of the day, etc., by PMS companies, that product is already available. So, we have had these things available, they are in the market, they are being sold and if someone else wants to fill up their product suite, obviously they must do that.

Moderator: The next question is from the line of Arvind Dutta, an individual investor. Please go ahead.

Arvind Dutta: My question pertains to the account aggregation business? Could you throw some color on how this is progressing? Is it live? The number of transactions you have had in the quarter and how is the growth month-on-month looking or what exactly do you foresee in the next three to four quarters in this business.

Anuj Kumar: So, this business like I said, there are now eight banks live. So, that is a rich offering on the account aggregator platform from a bank perspective, it will help in people like SBI come in. So, give it another maybe two months, maybe give it up to March-April and you will find that that suite will be in a good position and therefore if you as an individual investor, or individual loan seeker would like to engage with a lender, it will be easy for you to just give us a consent and get your accounts, etc., given out to that entity rather than you take downloads and then take printouts or save the images and upload them somewhere, which is a very cumbersome process today. So, from a macro perspective, the banking and non-banking entities are in the right direction. So, slightly slow momentum but in any such habit changing initiative, those delays can happen, but I would say overall that is progressing at a very good clip. The capital market entities have not yet caught a formal sign off, they should at some time. Right now, they have not got so, that may happen over a period of time, same with the insurance entity, but you can believe that those events will happen whether they happen in a few months or many months, but because everybody is a signatory to this architecture that will happen. How do you make money, you make money by driving transactions. How do you drive transactions, you onboard entities on your AA platform and you onboard entities on your TSP platform you do these two things and when they start transacting, then you make money, like we said that and here onboarding and entity for both TSP and AAF considered the kind of a rich combination that a company should seek to achieve. You saw that there are 10 entities of different kinds, home finance companies, brokerages, banks, largely those 3 or 4 kinds who have chosen to sign up with us. We are in an advanced stage of implementation number of transaction count, etc., is small, it should start building out in the month of March and April and as this habit change happens, we believe that let's say, six or nine months from now, a lot of investors will start opting. With this being their primary form of data sharing with lenders and with wealth managers, etc. Today it is a new concept but it will take momentum soon. That is the right way to look at the market.

Arvind Dutta: Thanks for detailed answer. My follow up question is that how many competitors today are there in this space in the account aggregator business and can a bank be with multiple aggregators or how does it give you any competitive advantage vise-vis competition?

Anuj Kumar: It is a fairly open market right now. There are five licensed entity for account aggregator you need a formal license. Four are live and the fifth should be live in about a month, month and a half. So, think of it as five licensed account aggregator entities and then on the TSP side, there are multiple entities that is not licensed to I cannot give you a formal count but when we see various bid thinks of about 17-18 people who are active in the marketplace, they are not aggregator licenses on tap like TSP is not license yet. So, anybody who chooses to come in algo companies, companies who are trying to create API gateways, technology companies, all kinds of companies have participated. So, the best man will win. Of course, brand reputation, past experience and financial markets, etc. all very useful assets to have. We have them, but it is not limited by license kind of a market.

Moderator: The next question is from the line of Kaushik Agarwal from Haitong Securities. Please go ahead.

Kaushik Agarwal: I have three questions. So, firstly, on the AIF side, since you said that we are the market leader. So, can you just give some numbers around what is the current market share because earlier I think you used to mention the area in which you are managing in the AIF business, which we do not find in your current PPT. So, around that if you can mention and sir Ram Sir basically mentioned the revenue breakup of the non-NSPs. So, was this for the quarter of this quarter or was this for the nine months and if we can get be some sort of pad breakup for this piece of business as well and so the third question is mostly a data keeping point. So, I wanted to know, what would be the component of ESOP costs in your employee expenses for this quarter, and for the 9 months?

Anuj Kumar: Okay, good. So, AIFs first, think of it this way that there are about 400 or 500 registered AIFs in the country, not all of them outsource. Our total count of pure AIFs would be 100 plus, that you service and our total assets would be in the range of about 90,000 to 1 lakh crore. On the outsourced market side, we are easily more than 50% of the market. I cannot give you reliable authenticated Bureau numbers or Industry Association numbers, because they do not exist, but this is a broader understanding and like you said in the past, we are now seeing a lot of AIFs wanting to outsource again in the last maybe four months after November, given the fact that money raising has come back in a big way and a larger number of investors are joining them. So, broadly unofficial numbers, upwards of 50% in this market, over 100 AIFs work with us. That is the answer to your first question. You will take the ESOP part.

Ram Charan Sesharaman: So, from a ESOP perspective, the cost that has come into the books in the current quarter is around 7.5 crores that is a cost that come in and from earlier quarters, we had around almost 9 to 10 crores of cost in the early two quarters. Overall it would be around 17.5 crores of ESOP cost is in the books. That is the number that you are looking for I hope.

Kaushik Agarwal: Yes sir. Thank you for the answer. Just a follow up question to the AIF business. So, if you can just give some color on the yield part in the AIF business, like what kind of data are we making when we compare it to the MF business for CAMS?

Anuj Kumar: So, while we do not give segmental financials. I will just tell you broad indication is that the work is a little less intensive from an AIF perspective. So, you would expect the yields to be little less than that, but from a profit perspective, they are extremely profitable. MF like, EBITDA margins is what we get from AIF.

Moderator: The next question is from the line of Saurabh Dole from Trivantage Capital. Please go ahead.

Saurabh Dole: I have two questions. So, firstly, I just want to know, what kind of changes do you think the yield on your mutual fund AUMS will be in the next 3-4 years as in? What kind of trend is does it have? Because I think in the initial commentary, you said that when a particular mutual fund grows, its AUM, you are ready to give them some tariff concessions. So, given all these factors, how do you think the yield will move in the next five years?

Anuj Kumar: So, in terms of trend, well, no forward looking statements, we do not generally give but there are enough and more material in the public domain which when the study is done which point towards, at least historically, and in future, we expect that the growth would be around 14 to 15% CAGR, probably going up to 20 in case it is a good period, so that is the growth that the mutual fund generally, is projected from a mutual fund as a growth perspective, going by the past our growth in fees, there is always a lag to that there is a there is a 70 to 80% of that gets realized as fees from AUM prospective or for the reasons that we have explained in the past, which is the telescopic pricing, there is a yield mix, that happens price reduction that happens. So, we would expect that that would be a good indication in terms of future growth of fees as well as AUM.

Saurabh Dole: Okay, okay and the second question is, how do you think this non-MF related revenues in your revenue profile will look like, say, 5 years hence?

Anuj Kumar: So, you have seen that, we have upped the ante on all the core offerings where we see scale in the marketplace, particularly on the AIF PMS side and on the payment side and then definitely now on the NPS, and the account aggregator side. Overall, we are targeting all of this to contribute to, let's say, 20% of the overall revenue book, upwards of 20%, in a four to five year timeframe. Right now, like the strategy has been largely building things out and taking them to market. So, build the product, build the strategy and then build the go to market, we have not really done anything inorganic of any scale yet. But that is how the thinking has been so far, but we are very focused on building our teams, products and markets for non-MF and over a period of time, we do expect that this number will certainly grow.

Moderator: The next question is from the line of Dipanjan Ghosh from Kotak Securities. Please go ahead.

Dipanjan Ghosh: Two questions from my side. One is you mentioned that if we look at the deal wins over the past, maybe 5-6 years, most of the large agencies have probably come with CAMS or the market share has also expanded, but correct me if I am wrong, I think your market share of around 10% increase that we see over the past five to six years is broadly because one of the largest players has gained equal amount of market share in the business and maybe led by some amount of institutional money also out there. If I look at the equity mix for equity mix probably the smaller players on an overall basis continue to gain market share irrespective of CAMS or your competitor out there. Under such a circumstance in terms of new deal means bearing Franklin probably CAMS have seen a little bit on the softer side. So if you can shed some light on your strategy out there implemented given the amount of smaller players probably may gain market share given their size and they will probably be a little bit yield accretive also given the size and scale. My second question is on the yield part, and again, going back in time, maybe around 2015 to 2017 sort of a period where the yield compressed by nearly 9200 basis points when equity mix was broadly flattish around 27-20% and AUM growth was probably holding up well at around 25 to 30%. Given that today, equity as a proportion of the mix is anyways high at around 40 to 41% and assuming it remains flattish out there over the next few years. How should one think of yield tragically under such a circumstance when Equity mix remains flattish and the book probably, or the yield probably is more linked to a higher proportion of equity compared to what it was in that 2015 to 2017 sort of a period. These are the two questions.

Anuj Kumar: So, think of it this way, I just give you some numbers for you to absorb this entire thing. 2016 our aggregate market share was 60% and some change grew to a high of about close to 71%. and that was almost secular quarter-on-quarter consistent growth and that was a time, like that newer launches by AMCs did not count for much, even if you see that I think today outside of one any AMC which was launched in the last 10 to 12 years has not made it to let's say the top 15 rank because that itself has a cycle. That is point number one. Point number two, I do not think it is a surrogate distinction to think that smaller fund houses are better or are doing better fund management. That is just an element of surrogacy. In terms of how they fund management techniques in pan out large ship versus small ship, which one do you turn faster. If we were here in 2020, we would have been talking about a trend of brands distribution and return to safety of investors and today we are talking of just the opposite. None of those three things but we are talking about is the smallest one better and therefore if you have the smaller guys in your franchise are they the best? I do not think any of these is a secular long-term view. One thing which has certainly happened in the market is that mutual funds are morphing from sold products to bought products. From a sole product perspective, you can say the distribution alone counts and today, you can say that as far as the Bot part is concerned, a lot of people are just looking at digital rankings. That is how they may believe that metals will do better than equity as they will move there enemas. Similarly, they are just looking at a curated list of fund and I would not even say they are looking at perhaps not looking at fund houses that carefully as they are looking at funds. This was just a different habit three years or four years back, but they are looking at fund houses more closely and said, okay, I know this name even if I get 1%, less or 1%. more, I will still go with that that habit is probably changing, happens in every such market, not just financial markets, where investors start taking decisions based on a very immediate six-month, nine-month ranking, etc. and individuals will be individuals. So, I would say it is perhaps not accurate to define this as one player which drove the entire marketplace. Yes, we know who you are referring to, but the numbers do not indicate that completely, I think it was a very broad base growth. Only in the case of corporate money was it returned to safety and return to brand and slowly in the larger retail led equity markets, it has been now that the best fund houses or the best scheme or the best categories are winning and how those screens look like when investors are looking at them and how they take that decision. So, in the future, I do not think much is going to change, distribution will continue to play a role, brand will continue to play a role and the new guy in the pack, which is looking for the best performing fund irrespective of the brand will also start playing a bigger role. Within that, the best guy will win, I will not restrict it to large versus small, etc. and there are always times where the investors do prefer safety, especially on the corporate side, I do not think that trend is fundamentally going to change.

Dipanjan Ghosh: Sure, and on the second part on the yield part.

Anuj Kumar: All the new bill side, I do not want to start giving out brand names etc. in this conversation, I suggest you have a separate conversation with us and since the names are finite and they are all available publicly we can show you which names and who has got from..

Ram Charan Sesharaman: Dipanjan on the yields I think your question is more to do with what will happen to the yields as the assets grow. So, you will know and you know, you will I know what your views are on the yields of CAMS. But I will just throw a couple of data points out to you there. See the model calls for a telescopic pricing and that is what we have been doing for quite some time. That is the basis in which the entire mutual fund pricing works. So, inbuilt there is some amount of yield depletion that will happen as the assets grow and I think that is one-on-one of this entire model, but having said that, if you take the last 7-8 quarters for example, and then you go and do your yield calculation as you can kind of see last quarter, so what happens is you see kind of a flattish kind of a trend. So, in the, you have seen some 5 lakhs crore worth of assets grow over the last one year and a lot of them have been equity and you see that the yields are kind of remained flattish could be a percentage of in a particular quarter down in a particular quarter, but if you see a lot 7-8 quarters, it has been kind of around the same range. So, that kind of leads is to be and there is a complex interplay here, it is not only the growth of assets and telescopic pricing, it is not only the equity, definitely they play a very important part, it is also kind of you know, which customer is growing and the marginal billing for us from a particular asset class and as a customer. So, but what we have seen for the last eight quarters is that while there is a small depletion that happens, if there is a an subnormal growth in, I mean, what I mean is higher growth in assets, then what we generally see, over a period of time the yields have remained flattish, and there is nothing that actually indicates that would be very different going forward. Yes, we will see small depletion in yields as we go forward because of the telescopic pricing, but there are some offsetting factors that also play out. So, that is our view. We do not expect a big depletion in the yields that could be small depletion quarter on quarter, depending on how the assets grow and how the mix works, but we do not see something which is going to kind of change it drastically.

Dipanjan Ghosh: Sir, my question would move from the perspective that what if the equity mix remains flattish? To some extent my understanding is in the past year, maybe the equity mix would have increased from 600 to 700 basis points and in fact, that is what I said, if I go back in time and look at the 2015 to 2017 period when AUM growth was probably similar to what we are seeing today, at least for the last 3-4 quarters, but only difference was equity mix remained flat. In that case, we probably witnessed a 90 to 100 response shrinkage in yields that maybe a little bit less 85 to 90 basis points. So, if the equity mix remains flat, is there a case for yields to concrete at a faster period, that is what I am more coming from.

Anuj Kumar: See from the numbers perspective, you are right, if the mix remains, because equity is the highest yielding asset for us. So, if the mix remains constant and the assets keep growing, and the other class of assets, which is a lesser yielding in terms of say, data or liquid keeps growing at a higher pace than liquid then mathematically absolutely the total yields, there will be a compression. But as I said, there is interplay of few other factors also in terms of you know, what kind of what stage the customer is in, whose growth is happening, etc. So, it will be very difficult to give a straitjacket answer, but philosophically, you are absolutely right. If the asset growth is more on non-equity assets, then yield would come down.

Dipanjan Ghosh: And maybe I can squeeze one more question on the non-MF business or the account aggregator businesses if a keep the TST business aside and just look at the basic FIP and FIU business out there. I think we have discussed this sometime before also in the call. Over a period of time, do you think customer acquisition becomes a key aspect of this business because ultimately, if the customers I mean customers and both a FIPs and FIUs can be there on either of the account aggregators, the ones that are currently live and the ones that may go live. So, ultimately, will the industry become more and more competitive given that it is a free play out there for now?

Anuj Kumar: So, if we just peel the onion a little, I think, being a TSP for someone and do not put me outside this meeting gives a provider disproportionate influence on which account aggregator gets used, okay, because you are the core architect, you are the integrator and you are defining or helping define not defining but helping define which account aggregator gets used. That is point number one. So, there will B line in the market. Why not so many people wanting to be around aggregators. Why everyone wanting to be a TSP? The answer is clear. Over a long period of time, if there is Rs. 100 of revenue in this market, today, it looks like 80 will go to the TSPS and 20 to the account aggregator, but we would not be surprised if two or three years from now it is at 85 and 15 or 88 and 12 or something, which means the size of the pie of the account aggregator is smaller and the size of the TSP is larger. That is one thing which will certainly take this. The second is will this business and I am just wondering if I understood your question correctly on whether having your own consumer franchise let's say we have an app and we have a million downloads will that influence the choice of the account aggregator? Yes or no, because it can still happen that the bank that you are dealing with has account aggregator A and that is the only thing that shows up in the app. If you want to work, you will work through them. If you want to give your consent, you will give your consent through them. If you have app B downloaded, that will not influence the decision there. That is the point of view right now, which means even if you build a very large consumer franchise, can you start influencing lending decisions in a material way? Today the answer does not look like it is a yes, but yes, I mean, that is a hypothesis some people do carry the question that you are asking the market has to turn out in a certain way, we continue to look at it. But today, it looks like a B2B choice of TSP, and a B2B choice of account aggregator is probably going to define who gets used for a particular transaction?

Moderator: Thank you, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Ram Charan SR for closing comments. Thank you and over to you, sir.

Ram Charan Sesharaman: Thank you and thank you all for attending this call. We appreciate your interest in CAMS. Please do reach out to us in case of any questions either to the email ID on the presentation or to our IR agency Orient Capital. I hope to have you back in a call soon. Thank you.

Moderator: On behalf of Computer Age Management Services that concludes this conference. Thank you for joining. You may now disconnect your lines.