"Computer Age Management Services Limited

Q3 FY '24 Earnings Conference Call"

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MODERATOR: **MS. SHIVANI KARWAT – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of Computer Age Management Services Limited hosted by Orient Capital. With us today, we have Mr. Anuj Kumar, Managing Director; Mr. Ramcharan SR, CFO; and Mr. Anish Sawlani, Head of Investor Relations.

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

I now hand the conference over to Ms. Shivani Karwat from Orient Capital. Thank you, and over to you, ma'am.

Shivani Karwat: Good morning, everyone. Welcome to the Q3 FY '24 Earnings Conference Call for Computer Age Management Services Limited. Before we proceed to this call, I would like to give a small disclaimer that this conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date. These statements are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict. A detailed disclaimer has also been published in the investor presentation, which was released to the stock exchanges. I hope everybody had a chance to go through the presentation.

I will now hand over the call to Mr. Anuj Kumar, Managing Director. Thanks, everyone, and over to you, sir.

Anuj Kumar: Good morning, everyone, and thank you, Shivani. Good morning to everyone who's joined this 3Q earnings call of CAMS. I appreciate you taking your time out. We will follow the standard format for this call, which means that there is a structured presentation. I'll take you through that, 7, 8 slides. I hand over to Ramcharan for his commentary on financials. And then we should have about 20 to 25 minutes available for taking Q&A.

So I will begin. And on the chart, if you downloaded the pack, this is chart number six. I'll start by sharing with you that CAMS has won the mutual fund RTA mandate of Unifi Capital. As you know, Unifi is a very prominent PMS provider based in Chennai and has aspirations to operate a mutual fund. They were one of those 10, 11 entities which had applied for a license in the last about 18 months.

So very happy to share with you that this has recently got announced and adds to the set of significant and marquee new logo wins in the mutual fund arena in the last 18 to 24 months period. So this makes it of the last 7 new mutual fund mandates which have been declared in the market. Overall, from an AUM perspective, you are aware that we still significantly during the last 9 months -- and mutual fund assets stand at about just short of INR34 trillion, INR33.95 trillion.

This is a 22% growth year-on-year. You would have seen in the release. Our overall market share stands at 68.2%. What is significantly heartening is that equity AUM has scaled much faster, which means it does scaled ahead of the market, and it has scaled ahead of our normal base growth. This now stands at INR16.9 trillion. It has registered a 31% growth. And when you compare it with the rest of the industry growth, equity AUM to our equity AUM growth, the 31% is significantly ahead of the 24% which the industry has achieved.

From a market share perspective, equity AUM market share, we grew by 140 basis points on an annual basis and about 40 basis points quarter-on-quarter to touch 66%. You would know that this number has been creeping up steadily for the last about 2.5 to 3 years, but at 66% is a fairly significant number to quote. Also you're aware that SIP collections and SIP registrations are really the formative elements which are driving the growth of this market from a SIP live book perspective, which basically covers the counter SIPs that we have.

This grew 29% year-on-year, again, at a significant delta. Industry grew by 19%. We grew by 29%. And as you are aware, this really adds heft to monthly collections, net sales, AUM growth and all of that. So again, a fairly foundational number to continue watching. And as I come to collection numbers, etcetera, you will see how this number of SIP registrations and live book are really influencing asset numbers. Also the fact that of the, I quoted 5 out of 7 wins, out of those 5 wins, Helios Mutual Fund and Zerodha, both went live during the quarter.

And again, fairly racing away towards the finish line, Helios grew to about -- very close to a INR1,000 crores AUM number. Now you know that for a new mutual fund to grow to INR1,000 crores, it sometimes takes years; not just 1 year, but sometimes even longer than that. So for them to achieve this in a short while, again, fairly significant milestone from an achievement perspective, both the mutual funds went live during the quarter.

If I move a little to beyond mutual funds, which is the non-mutual fund businesses. You are aware that we've had a sustained focus on expanding share of non-MF in the overall book. Also, we've stated to you that we will continue scaling non-MF ahead of the MF book. Again, very happy to share with you that year-on-year, this has grown about 3.3%, so 330 basis points. Share of non-MF is in the rate of 13% now. What comprises non-MF and what has significantly scaled? One of course is Alternatives.

And I'll talk about Alternatives as we move forward, but at a broad bullet level, grew 21% year-on-year, added a significantly large number of new mandates, which is 32, this includes 4 in GIFT City. So again, from a market win perspective, a very satisfied quarter across all aspects. The other business, which has done extremely well and where we have sharpened our offering and also sharpened our go-to-market route is CAMS KRA, where you've seen that we've declared over 100% revenue growth at 129%.

From an entity, which used to largely cater to CAMS service mutual funds, we've gone to beyond CAMS service mutual funds across all of them. But now that alone, from a fintech brokerage, wealth advisory perspective, all these entities need KYC and KRA services and CAMS KRA has brought in a large number of customers in the last 12 months to both broaden our clientele and scale revenue, which is why you see that process on a smaller base. But that notwithstanding, the revenue has grown over 3% in the year -- in the quarter year-on-year, is a very, very significant achievement.

Moving forward from an insurance repository perspective, we have declared that CAMSRep has gained entry, and you know that the non-life segment also now has KYC as a mandatory step before you purchase insurance. So we have won mandate for Oriental Insurance to do KYC for them, digital KYC. This is a joint go-to-market and a joint offering between CAMSRep and Think360.

As you know, Think360 has had this product called KwikID, which was selling quite well in the financial services, which is NBFC and banking arena, but this is a nice entry into insurance. So that is what CAMSRep has won. And also very pleased to share with you that just broadening of the business for CAMSPay, we have won an exclusive partner status from LIC to execute customer account authentication.

This is largely third-party verification of accounts of people who wanted to buy insurance that are stepping in digitally. But again, a fairly marquee contract, and it's an exclusive partnership. Riding on all these wins and all the tailwinds that we have faced from a SIP growth and AUM growth perspective, the financial highlights are pretty good. CAMS, the overall revenue book grew just short of 19%, at 18.9%. Within the MF, revenue grew 14.6% year-on-year. Non-MF grew a staggering 59% year-on-year.

If I take up the impact of Think360, which is still a onetime addition to the book, we still grew about 41% year-on-year on a non-MF basis. Four out of the 6 non-MF businesses grew by more than 20%. So that's a significant achievement. Four of the SIPs grew by over 20%. Riding on the revenue growth, EBITDA grew 19.7% year-on-year. EBITDA percentage is historically at the highest. You would remember a number of 44.5% in the last quarter. And a year back, that number scaled up to 44.8%, that's about 30 basis points up. And profit after tax grew in absolute terms 21%, in percentage terms grew 40 basis points year-on-year. So that's a very solid set of financial metrics, just riding on strong sales and operating performance almost across the board.

I will move forward. You would have -- once you've downloaded the pack, you would have seen that there is a significant financial data. I will just cover the chart number seven, and then what is there on 8, 9, 10, 11, I will leave it to you for reading. But on chart number eight, you will see that we saw historic highs in transactions.

And the continuing lift in SIP numbers, equity AUM and new investor account, all of which, like you know, our foundational metric and our overall SIP registration was at a lifetime high of 43.9%. So broadly, a 9% transaction volume growth, growing from just short of 141 million to 153 million, vindicating all the activity which is happening in the market.

Equity AUM, like I said, grew significantly ahead of RBS growth and the market growth of equities grew 31%. Equity AUM from 12.9% in last year's third quarter to 16.9% now. Equity net sales, which is a good measure of what is the fraction of net sales coming to us through CAMS service fund was in 3Q '23 was 73.2%, still holding quite well at 72%.

Absolute growth of 26% but holding share. And like I said, our equity AUM market share is 66%, while the net sales share is 5% or 6% ahead of that. It simply means that equity AUM share will continue to grow. So that's a good number. SIP registration, new SIPs, we crossed the highest single month number of 2.5 million, INR25 lakhs SIPs were registered in December of '23.

And from an SIP registration perspective, we were at a 61.8% market share in 2Q, which grew slightly by a small margin to 62%, but still holding up quite well. Live SIPs, we know net of calculations, in 3Q this number was 3.3 million, which is again the highest ever and again, bodes very well for future collections and future SIP-related growth.

2Q, the absolute number of live SIPs was 40.5 million, like I said, grew to 43.9% in this quarter. And then SIP gross sales, which is the number you end up reading about every month as the releases come out, was 283 million in the second quarter, grew to about 312 million.

So it crossed what is a magical number of INR10,000 crores a month and is heading in the direction of INR11,000 crores. And from a market share perspective, SIP gross sales was just over 60% in 2Q and that scaled to 60.5% to grow about 0.4%. So all of those are nice growth numbers to continue backing us in the story beyond this quarter.

And like I said, they are all foundational numbers, which will perhaps continue to define growth as we move forward. After these two, I'm just skipping chart number 8, 9, 10 and 11, assuming that you have a copy and you would have gone through it.

I will take you through individual businesses, just chart by chart, maybe about a minute on each. Starting with Alternatives, where we are reporting a revenue growth 21% year-on-year. I spoke about 32 new wins during the quarter, which is a very sustained new logo onboarding performance.

CAMS well Served continues to herald the digitization momentum in the industry and has over 110 sign-ups. There is now enough trend to see that over 30%, something -- 40% of new customers in AIF and PMS are coming through the digital route. So that's just revolutionizing the way onboarding happens in this asset class.

In GIFT City, we now have over 15 clients. We added 4 new during the quarter. And then with Multifunds because we brought in the multi-country, multicurrency fund accounting capability, moving some of the existing and new clients on that platform, just to gain experience and gain heft in that class.

Also from a Fintuple perspective, you know that Fintuple has been building these large platforms, connecting custody programs of large banks with domestic PMSs, and then followed by domestic AIFs. The first of these programs has -- with a very large bank has just gone into live. They are onboarding PMS -- AMC is now on to the platform. And all of this is now growing beyond just AIF and PMS and is growing into things like FPI, forex and treasury services.

So Fintuple has been able to, however taken some time, have been able to build these four platforms, which have multiple components of assisting large custodies to integrate with FPIs, to integrate with AIFs and PMSs, as we believe that the offtake in terms of onboarding will now start getting momentum. Also, overall, we've declared a INR2.2 trillion assets under service for our Alternatives business.

From a CAMSPay perspective, I spoke about LIC onboarding CAMSPay as an exclusive partner to execute customer authentication services. CAMSPay registered strong revenue growth year-on-year, onboarded a significant number of new clients for UPI Autopay. UPI Autopay is now emerging as a preferred mode. It has got significant strength and this quality is over the traditional NACH and E-NACH. So that portfolio continues to grow. And from an overall volumes and revenue perspective, it's been a strong quarter for CAMSPay.

I'll go to the next, which is CAMS KRA. This, we have said, has performed -- I mean, has delivered a very strong performance, growing over 100% during the quarter over last year. You would have seen enough news in PR around our 10-minute KYC, which I think, is the foundational component which has helped us penetrate brokerages and fin-techs. So a large component of new PANs or -- which is really the gunpowder that KRA survives on, have started coming from all these other sectors outside of domestic mutual funds.

Also from an AI-embedded offering perspective with the assisted face match, OCR, liveliness check, liveliness APIs, etcetera, we are finding that CAMS KRA is now getting accepted across the board as a skilled product in the marketplace, and the growth then just vindicates all of that. There are 25 new financial institutions of various colours, shoes, and types, which have now commenced business with us, which have signed up.

And the onboarding journey now, the front end of the journey is powered by Think's KwikID. So that's a product which has earned its spurs across banks and NBFCs. Now we're using it as a standard front-end onboarding journey, while CAMS KRA provides all the back-end services that a KRA will.

Going to the next on CAMSRep. We spoke about CAMSRep's entry into KYC and of the Oriental Insurance to do all the -- execute the entire digital KYC process through CAMSRep. This, again, is powered through Think's KwikID. Also from a Bima Central perspective, although progress isn't as fast as we had expected, the first few insurance companies are now fully integrated on to the Bima Central program.

And this app is now available in the App Store and the Play Store and that's something you can try. From an EIA perspective, we continue to maintain a market share of 39% for policies and 31% of the EIA accounts. As I move forward, I'm on Chart number 16, on CAMSfinserv. We've shown a sustained expansion in market share. You would have seen that. We have started with single digit. And now happy to share with you that we've grown to over 13% in the AA ecosystem in terms of share.

We are the preferred AA partner when the account aggregator thing started. Very few people expected that things like F&O account opening will become a large use case. We are now the preferred partners in the industry, servicing multiple number of brokerages for this particular use case where a bank account has to be refreshed every year for all live F&O accounts. 25 FIU clients were live in 3Q. And then we continue to report a number of new deals, both from an AA and TSP perspective.

So, a solid quarter, still small revenue. But from a market share, total number of pulls, penetrating various segments, demonstrating new use cases, things like F&O and now finance management, I think a very satisfying period for the team. I will move forward from a Think360 perspective, you would have remembered that we have declared that for the flagship product, which is Algo360. We have signed a deal with SBI Cards.

That engagement is now live, which means usage will begun. And this was a very marquee customer for usage of this product. So we're expecting clear dynamics to now continue showing as time progresses. Similarly from a digitalization perspective, we now have contracts with three of the top 10 public sector banks in India for overall digitalization. This is largely the digital KYC journey.

This is now fully kind of Canara Bank to -- we won -- these are both analytics, address management contracts, one with CreditAccess Grameen and the other with DCB for augmenting the overall risk analytics expertise. CAMS and Think360 have also built a product called Influence360, which is a geographic data product, which helps business strategize in terms of understanding buying power of the consumer and how the consumers are dispersed across cities and PIN codes.

So that product is now ready for the market. And lastly, I will talk about CAMS NPS. We've seen our 2x growth in overall subscriber count year-on-year. We continue to hold the number two position in overall new eNPS sales. Our overall innovation in terms of making the CAMS-enabled UPI Autopay, all of those things continue to be playing out in the market. And then from a POP perspective now, we are linked with several POPs and almost three-fourth of the overall traffic is now getting contributed by these 4Q, as you know, is this season for NPS.

So we're expecting to continue broadening out and expanding the numbers as far as NPS is concerned. So I will pause here, hand it over to Ramcharan for his commentary on financials. And then once you are done, then we will take questions.

Ramcharan SR.: Thank you, Anuj. The financials, Anuj touched up on the highlights in the earlier part of the presentation, I will just try to get into one level of detail of this. From a revenue, as indicated, we have kind of had a strong revenue growth during the quarter, 18.9% year-on-year at the back of growth in assets and the mutual fund revenue. The mutual fund revenue grew by 15%, almost 14.6 percentage, again, on the back of growth in assets.

On a quarter-on-quarter basis, our revenue grew by 5.3%. And mutual fund on a quarter-on-quarter grew 5.4%, which is, again, backed by high growth in the AUM. This is actually a good point to us. If you remember, over the last few quarters, we have been indicating that from a yield pressure perspective, which was a common question from a lot of people, that the onetime reset of the yield, onetime large reset of the yield with one of our major customers has been completed, you will see the impact of this in the next few quarters.

Happy to say that it's played out like that in this quarter, and you can see yield compression in this quarter. And thanks to the equity mix being favourable. The equity mix for CAMS is 50% almost, 49.9%. Were, in fact, on a quarter-on-quarter basis, seeing a very, very marginal increase in yields, which is, again, playing out the way that we anticipated. And going forward, we also do not see any large depletion in yields other than what will be driven by the telescopic pricing.

So from a revenue perspective, the asset-based revenue, which is a major part of the mutual fund revenue, grew 13.2% year-on-year and 5.1% quarter-on-quarter, and INR212 crores of asset-based revenue. The non-asset-based revenue on the back of a good climbed in transaction revenue as well as miscellaneous and applications value added that we sell to our customers, both had a very smart growth rate.

So which means on a year-on-year basis, we grew 23% and on a quarter-on-quarter by 7%. So our non-asset-based revenue is currently at INR40.8 crores. So INR212 crores and INR40.8 crores, the overall MF revenue stands at INR252 crores for the quarter, again, up almost 15%. The non-MF revenue, I think the earlier slides were kind of getting into the detail of the individual business lines that we have.

But the highlight is being that we continue to deliver on non-MF growth, which we had kind of suggested -- a big increase of around 60% is what you saw on a year-on-year basis on non-MF revenue, which includes the revenue of Think Analytics, which we acquired at the beginning of this year. Even keeping this aside,, the overall revenue growth is upwards of 40%, which is, again, tracking to our entire projection of getting the non-MF revenue to 20% of the overall revenue within the next few years.

We are well on track to achieving that. On a quarter-on-quarter basis, too, the non-MF revenue grew by 4.5%. Into the conference, Anuj touched upon in the earlier slides. Good growth on a quarter-on-quarter basis on a AIF, on a payment perspective. KRA grew more than 100 percentage and the AA and TSP. So we had four businesses, which grew more than 20% quarter-on-quarter with KRA doing very well with more than 100% growth when compared to last year the same quarter.

So all in all, a very strong revenue growth of almost 19 percentage, driven by growth in MF as well as in the non-MF segments, which again leads to our profitability. Over the last -- for the seven quarters, this has been kind of the highest profitability that we have seen. On operating EBITDA, we ended the quarter with almost INR130 crores, INR129.6 crores of operating EBITDA, which is almost 20%, 19.7% growth over the same quarter last year. And sequentially, it was a growth of almost 6%, 5.8% growth.

The margins creeped up again, as we had indicated, as and when the revenue starts growing into the non-MF as well as along with the operating leverage, we will have an operating EBITDA creep-up, which has again played out in the current quarter to as opposed to 44.5% in the earlier quarter, we are at a 44.8% operating EBITDA. PBT is in line with us. It's almost at 40%, 39.9%. And PAT, we ended the quarter with INR89.29 crores of PAT and 29.8%.

Good growth of 21% impact on a year-on-year basis and 5.7% quarter-on-quarter. As I said, if you take the last seven current quarter, this is the highest margins that we have seen, not only in terms of absolute numbers, but even in terms of margin percentages, which again indicates to a very strong financial performance.

On the return on net worth, as, we are used to the 40% kind of return on net worth, which we are continuing to see -- and we ended the quarter with a really cash and cash equivalent surplus of around INR580 crores in our balance sheet. One item on the cost that we would like to highlight is the cost, comparable costs for this year. Just like we eliminated the revenue for Think, that's the comparable cost of almost INR5 crores for the year.

Hence, you will see some increase in the individual expenses. But that is a onetime -- that is the inclusion of Think for the first time in our consolidated financials. And also, we had the final tranche of the current ESOP scheme rolled out during the quarter. So you had a noncash charge of around INR4.3 crores that is coming into the current quarter books, which was INR1.7 crores more than what it was in the last quarter.

So if you see overall from an expense creep perspective, if you consider the noncash charge of ESOP of INR1.7 crores and if you consider there is an increase in out-of-profit expenses or OPE, both from a CRA as well as MF perspective to the extent of INR2.5 crores, the expense growth quarter-on-quarter has been extremely muted, which is the reason why you see some amount of creep up in the margin.

That is also playing out on a year-on-year basis. Year-on-year basis, you had the OPE expenses low by almost INR5 crores. If you actually take that out, you'll see a strong transmission of the increase in top line to the bottom line. That's the broad commentary on the financials. I will now hand it back to Tushar, and he may open it for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: So my first question is, you gave some color on how costs have tracked in this third quarter. But just if you could give us a split between the cost, how much of that is for the core MF RTA business and how much is for the non-MF business, that would also help us understand how the profit and the profitability is tracking in those two segments? That could be one of the questions.

The other question is on the KRA business, you indicated that you have entered into 25 new relationships with fintech’s. Now I wanted to understand that what is driving your ability to enter into these new relationships with fintech’s? Is it product differentiation that is helping you here? Because from a KYC record perspective, you are still significantly lower than the market leader. So I wanted to understand what's your differentiation there? Those are the two questions.

Ramcharan: Okay. There are two parts. I will take the first part on the non-MF profitability expense, and then Anuj will comment on the KRA and what's happening in that for us to grow this much. See, I will give you broad guidelines in terms of how the non-MF actually stand. We had indicated in the earlier quarters, too, from an investment perspective, we are investing in Bima Central, which is the CAMSREP platform.

We're investing in the AA, TSP. We are investing in the CRA platform. And we're also kind of continuing to make enhancements from a payment's platform perspective. And AIF, we are launching new products. So what we had indicated was in the last year that the investments that we are making, and we do not kind of capitalize or amortize, we kind of take most of it to the P&L.

On a quarter-on-quarter basis, our spend was projected to be INR3 crores or INR4 crores. So for the current year for all these initiatives put together, we have spent more than INR5 crores, okay? What has changed is the top line growth. So what used to be very minimal, less than a very small revenue component from AA, TSP, is now almost tracking to INR70 lakhs per quarter. What is happening from MF Central perspective is tracking to over INR60 lakhs to INR70 lakhs per quarter.

So things like that -- our AIF growing 21%. A lot of it is because of the new ramp-up that's happening on the products. So from a cost perspective, I don't think it's very different from what it was in earlier quarters. We continue to spend around INR5 crores, INR6 crores on these platforms that we are building out. But the revenue has crept up, which means that the profitability from a non-MF perspective, considering it's not a homogeneous bucket but just from an ease of understand perspective, if you take the bucket non-MF business, the profitability has crept up, and it will be in the high single digits -- high double digits -- less than teens.

So we'll be around 10 percentage to 15 percentage of the bucket profitability, which is higher than what it was in earlier quarters. And as we get more and more revenue from a top line perspective, this to kind of get closer to the profitability. That's basically the understanding that we have. Whether it will happen in 2 quarters, 3 quarters, 4 quarters, it's how fast the revenue will ramp up, but that's the trajectory that we are foreseeing. On the KRA perspective, Anuj?

Anuj Kumar: Yes, sure. So when you look at the KRA business, think of it as its the entire capital markets. In the capital markets, the large participants or brokerages and depositories, who you know that they add customers at a pace which is significantly ahead of what the mutual funds add, new customers add.

Historically, we had rooted this business and designed it to serve CAM Service mutual funds. So a subset of the total. In the last 1.5 years, especially after we brought in Navi as a customer, we have now been going after the entire set of mutual funds, but also large brokerages and large fintech's, some of these fintech's are selling mutual funds, a lot of them are just registered brokers.

So we have expanded the game to, let's say, the playing arena is 3x or 4x of what it used to be. And within the brokerage business, as you know, there are significant lumps, there are 5 or 6 entities which are very large. And then there is a medium size set of entities and there's a long tail. So as you go after these, and you just can't go after these through a sales effort because your product and your overall servicing turnaround times, quality of onboarding, time taken, etcetera, has to be world-class.

We have built all of that, which is why we're seeing gain in share. Now are we going to become the number one very quickly? The answer is no, because it takes a period of time. The delta between the number one and number two today is significant. There is an incumbent number one. But what I can certainly assure you on is that there is not a flash in the pan performance. We've grown revenue 100% on the back of onboarding new PANs.

When these investor PANs are reused either in the MF market or to -- for brokerages of opening demat accounts, that is really revenue accretive. So we are doing the right foundational things for the business. This year, the revenue growth is one indication. But my expectation is that we will continue to see this sustained in the same manner. You will see the gap lessening between the leader and -- when do we scale up to really challenge the leader, etcetera, that may take some time.

But I think the initial metrics of onboarding high potential customers, expanding the number of PANs in our armoury and being able to sell them to reflect on revenue, I think those are great momentum causing events which have happened in the last 4 to 5 quarters.

Supratim Datta: Got it. Just a quick follow-up on one of the first question on investments. So on the non-MF side, I understand you are spending INR5 crores to INR6 crores additionally for some of these initiatives that listed. Now going forward, should we continue to see this these new investments and new initiatives and spend them in the next year?

Anuj Kumar: If I may ask, can you just repeat the question? And because the -- I was not able to read you fully because the voice was not very clear. Is your question on yields? Or if you can please repeat it for us?

Supratim Datta: Yes, yes. So on the -- just this is a follow-up on the first question. So on the investment, so you said INR5 crores, INR6 crores towards new initiatives. Just wanted to understand how should we think of it going forward? Should it continue at this level? And what would be those initiatives that you would be spending on this INR5 crores, INR6 crores? And on the MF side, if you could list how our thinking about the investment work to be some of the things that you would be investing in the MF side? That would my question.

Ramcharan: So what we have kind of said consistently and will continue following is that the investment amount would not go down -- while this is a journey, this is not -- we've not yet reached the destination in terms of where we want to be in terms of the product. So basically, we will continue to invest in new products in AIF.

We already have rolled out the onboarding platform. We are doing the wealth track and we are doing the fund accounting platform. Similarly, from other businesses, the CRA platform will get further embellished. We are doing various journeys on that. We will get -- we have started the POP; we will get the government and other schemes and flavors into it.

And from AA, TSP, several use cases are emerging. We are re-architecting a lot of these things. So the investments will not slow down. We will continue to invest this money in the platform that we are speaking about and we will see the beneficial impact in terms of ramp-up in the revenue. But you should assume that the same amount will continue to get invested on a quarter-on-quarter basis, adjusted for obviously some inflation in salary costs as we go forward. On the second question of investments in MF, and what we are doing?

Anuj Kumar: So like Ram said, you can't do well in the marketplace until you build cutting-edge products and until you've taken them to market. So sales and product development. and some degree of just PR spreading the news around are just natural investments. We've said in the past, non-MF, that will be in the range of INR15 crores to INR20 crores a year, which I think continues.

The point that Ram has made is that against that, there used to be small offsetting revenue, as increasingly the offsetting revenue increases because those markets are growing. You've seen that in KRA, in AIF and in account aggregator definitely. We will see that offsetting revenues grow. And therefore, the quantum of the investment remains constant, but it becomes revenue accretive.

On the mutual fund side, there is a significant amount of work that we continue to do to scale up and add leadership, which is, of course -- leadership and manpower. But from a risk, antifraud, cybersecurity, BCP, just the way we treat data and we are able to organize data and get analytics and insight from them. Those are standard, I would say, now you can count them as run rate investments inside the P&L, they continue to happen all the time. The sophistication that we need, let's say, from a security perspective continues to scale up in this world where you have to guard your perimeter very effectively and make sure there is no intrusion.

So that will continue. But inside the P&L. I don't think you should read it as a separate line, which is kind of asynchronous to the growth of the business but is synchronous to the growth of business and will continue. Did that answer your question?

Moderator: I think he's disconnected. We'll move on to the next question. Next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead, sir.

Sanketh Godha: My question is just if you can give an indicative number. Since today, we are at EBITDA margin of 44.7%. If I want to split the EBITDA margin of MF and non-MF, how it is? And as Anuj highlighted, if the growth starts picking up in the non-MF business, then how you see the overall EBITDA margins to play out from the current levels? Or we see -- or what the numbers what you are looking at are like peak numbers, significant expansion you don't expect to happen? Just some outlook on that.

And second question is largely on non-MF revenue. If you look at AIF business or CAMSPay business, it seems to be plateauing on sequential basis -- around INR74 million, INR75 million, and even CAMSPay. Just wanted to understand how to see these numbers to pan out, though on year-on-year basis, this looks healthy, but on a sequential basis, it seems to be holding up at these numbers. Just if you can give a little better outlook on these businesses will be helpful.

And lastly, on fund accounting, I think our competitor is a little aggressive on that particular piece. So if you can speak a little more on fund accounting as a new source of revenue, how you want to build this, it will be great?

Ramcharan: Got it. So I'll answer the question on margin first, Sanketh. I think there are three questions that you asked, I'll just take the margins one first. So yes, we have seen a creep up in our non-MF margins what used to be -- even as a single bucket, and I would like to clarify again, they are not a homogeneous business or a unit.

But for the purpose of ease of understanding, suppose we kind of club them under a single bucket and say it's non-MF bucket, our margins now on an EBITDA perspective are less than 15 percentage, right? What used to be a single-digit number has now kind of gone up to close to 15 percentage. And so the MF is kind of much more than the 44% that you're saying. Mathematically that's when your average is 44.8 percentage.

Now going forward with trajectory, again -- this is again consistently what we've been saying for the last few quarters is that we will get the margins of the non-MF business creeping up as and when the revenue starts ramping up. Whether it happens rapidly over one or two quarters or over four, five quarters is what the market will tell us. But our trajectory of the non-MF margins, given that the spend is going to be plateauing and the revenue is going to be increasing, we expect that they will get 10 towards the 25 percentage in the next few quarters, for sure, right?

There is going to be no dilution in margins as such from a pay perspective because of some investments, AIF margins could come down a little. But REP, once the Bima Central starts and some revenue starts kicking in and the other AA/TSP businesses, and the Sterling Software external businesses could actually give us an incremental 10 percentage increase in margins as we go forward. So that's the expectation. And obviously, I would just like to caution you with one thing, which is that the April quarter has always traditionally been the quarter in which we have had a close 2.5% increase in cost because of the annual appraisal.

Now whether that is 2% or 3% or 2.5% and when that will happen? It's obviously a decision to be taken when you're closer to April. But the long-term trend suggests better increment on quarter 1. This is across the industry, it's not obviously unique to CAMS, is going to be around 2.5 percentage. So keeping that in mind, I would not kind of predict that our operating EBITDA will go to 49, 50 percentage.

But what we are confident of doing is see this creep up in the EBITDA, and we keep let’s say the salary increments for a moment to see this EBITDA creep up by what we are assume is 20, 30 basis points over the next few quarters for sure. So that's the expectation. And we will see. We obviously hope and think that the revenue ramps up further, we will see a further ramp up in EBITDA. But I would still not suggest that we will be close to 50 percentage any time soon.

Sanketh Godha: Yes. But now...

Ramcharan: Sorry, you have a follow-on this? Or shall we to go to the next question?

Sanketh Godha: So basically my simple point is that -- means if I include even the annual presence in FY'25, then you're saying that current margins can potentially be at least, if 20, 50 basis point improvement in the third quarter, then we can see probably a 1% better margin than what we can expect in FY'24 is what I wanted to just check?

Anuj Kumar: So historically, Sanketh, you've seen that operating EBITDA has grown by about 1% a year. That is irrespective of the puts and takes, whether we've made investments, whether revenue has grown or not grown at the same pace. So just extrapolating the past into the future, you know what to expect, right, with what you said 30 basis points in the quarter and the 30 basis points repeat itself in all the four quarters.

I think the only point Ram was saying is, in the first quarter, always tough to repeat the act. But we are at it and expecting about a 1% increase in the year just from a historical perspective is just par for the course. It's happened for the last four, five years, likely can happen in the next year too.

On CAMSPay and AIF, I think the formative metric you should look at is what are the pace we are winning at? Are we able to hold our prices? And are we introducing new products into the market? Because if you're doing these three or four things consistently in any marketplace, and then AIF you know that we come from a place of leadership, then it is not tough to expand revenue. You can always have a quarter which may not look the most stratospheric.

But I would just encourage you to look at the numbers that we've shared. We said that four of the non-MF businesses grew over 20%. Alternatives on a large base at about 21%, pay even higher. So a narrow comparison, just in terms of overall growth I think is a good number to look at. We've shown you that the AIF business won almost 32 new clients. Look at the scale, our digital onboarding now has over 114 customers.

And these are all revenue yielding contracts. Of course, revenue per sale isn't-- it's in line with what it used to in the past. So I'm quite confident that we will continue delivering the growth numbers that we have spoken about in the past for non-MF. Non-MF is a lump, we want to keep it over 20%. And from what I see coming, I think there is significant confidence that, that will continue happening.

On fund accounting, today, we service almost 70 to 80 unique consumers from a fund accounting perspective. Earlier, this was done in a certain way. Three quarters back, we decided to bring in the Multifonds platform, which is now going into production. And about three or four of our clients are going to migrate on that. So again, very confident that we have the right offering, the right go-to-market strategy and the right teams to continue scaling this.

That is how I would characterize fund accounting. I'm personally very excited with the alternatives business, both what the CAMS team is doing and what the Fintuple team does. And collectively between them, we are quite positive about the acceptance of the products in the marketplace and how we would scale?

Ramcharan: Just one thing, Sanketh, if I may just add. I think from an AIF perspective, the quarter-on-quarter growth is not bad. It's I think upwards of 10%, if I'm not mistaken. So I think the foundationmetrics, as Anuj said is -- number is also decent from a quarter-on-quarter growth of AIF.

Sanketh Godha: Got it. And last one, given this Multifonds platform, I'm believing it is built completely in-house. So if you try to cross-sell to more AIF or other funds, then do you expect the revenue realization from the existing funds given the cross-sell opportunity, I believe you are largely in TA, transfer agency, it's RTA business in AIF. Now fund accounting, do you see this will play out much better than what we are anticipating or the run rate could be a little better because your ability to cross-sell?

Anuj Kumar: So cross-selling was always happening. Like I said, we have about 80 unique consuming entities, which were buying fund accounting. The gap in the offering was that we did not have multicurrency. So think of someone who's trying to redomicile themselves from an overseas location into, let's say, GIFT city, etcetera. We did not have multicurrency reporting, etcetera. Multifonds, therefore, closes out that gap. So it is a niche. It is a part of the overall fund accounting offering. Will it create revenue scale of its own? The answer is yes. Will it make us more scalable? The answer is yes. But from a base perspective, that business will continue. And in domestic, pure single currency asset -- it will continue the way it has continued.

Sanketh Godha: Perfect. And this largely will be keeping to AIF, right? Or you want to expand this platform beyond AIF?

Anuj Kumar: Yes. Right now, I think one thing at a time. You know our approach, right? We don't try to spill into 100 places at the same time, one thing at a time. We want to make it a success. Have a number of market customers talking good things about us. And then if you're thinking of pension and MF, etcetera, it's a natural sequel, but we just want to get it first right in the base among the AIF and then move forward.

Sanketh Godha: Perfect, Anuj. Thanks for the answer.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go-ahead sir.

Abhijeet Sakhare: Good morning everyone. My first question is, coming back to the non-MF businesses. Just putting all of them together, how would you kind of characterize the recurring or annuity nature of revenues versus something that is driven by volumes or transactions, if you can kind of give us some sense, broad sense on that piece of the business?

Anuj Kumar: So if you are asking whether there is a connected to sale or recurring sale component? I would say some of thing's businesses which are more project based, you win a 6-month or a 12-month analytic outsourcing contract, will perhaps characterize for that. But I would say that's under 10%.

If you want to see the annuity character, KRA is the best example, where once I have, let's say, a base of 2 crores PANs, these individuals can go and open accounts anywhere. But the exchange of the PAN information of the KYC information that I store is revenue accretive. So theoretically, even if I stop selling for a day or a month, that revenue continues. Similarly, if you see CAMSRep and you see the insurance policies that we have in the base. They continue to be revenue accretive because we continue charging an AMC, even if theoretically, I were to stop selling for some time. So a similar trajectory goes through in payments, for example, if I have, let's say, a few crore SIPs in the base, so the SIPs have to be triggered every month or every week. If I theoretically stop selling to new clients or stop downloading new SIPs, that remains in the base.

So the project base, non-annuity, self-sell revenue, which I would characterize it as not more than 10% to 15%. The rest of it is base revenue once you bought a logo win and once you master this basic metrics. Yes, most of it is not AUM related. Most of it will be transaction related. But those transactions are recurring in nature and the prices are fixed, that I see it as annuity revenue.

Abhijeet Sakhare: Got it. That's helpful. Secondly, I think Ram mentioned a couple of times on the account aggregator business, something like a reworking of the platform. So if you could talk a little more about it because I thought -- I mean, this was anyways sort of a fresh investment that has happened in the past couple of years. So from a monetization point of view or from a revenue accrual margin point of view, do we see this platform sort of the monetization getting right shifted because of whatever investments that are happening?

Ramcharan: So Abhijeet, let me clarify. So what I meant was with the several use cases and onboarding of various customers, we're just kind of making changes in the platform, which will make it easier to onboard new customers. And there'll, obviously, be a rationalization, of course, as we go along in terms of scalability, in terms of capability. So it's not as we are taking and trashing the platform and building a new platform.

I think it's more kind of an enhancement that we do and make it more efficient to keep onboarding or adding. For us currently to take a customer go-live is when things start getting interesting. Sign-ups are okay but go-live is when we start getting revenue. So this entire go-live process with all the disparate IT systems of so many people would require some amount of reorientation from a platform perspective.

That's what I was mentioning. And it was in the context of why further investments would be made in these? I think that was the question. So in that context, I was saying that this could be what we are doing. However, we don't intend trashing the platform, building a new platform and obviously, it's a cloud-based scalable platform that we have, we continue to enhance that platform. And there is no -- in fact, we are at a very interesting place from a monetization perspective.

The rates have sort of stable, the sign-ups are happened and now the go-live is happening from various customers, use cases are evolving. So there's not as such change in the model of monetization or the trajectory that we foresee for monetization. We have grown 100% quarter-on-quarter. And there's nothing that prevents us from repeating the tweak in the next few quarters. So it's in a good shape now. The usual investments will continue to happen in tweaking the platform and making more efficient for onboarding.

Abhijeet Sakhare: Got it. That's helpful. One couple of again, smaller data point questions, sir. Would you have the period-end AUM handy by any chance, overall and equity?

Ramcharan: Oh, period end. So can I just refer that and get back to you, period-end AUM?

Abhijeet Sakhare: Yes, yes. Not a problem.

Ramcharan: It was on an increasing trajectory, if your question is it going to sustain, I think emphythe numbers will show that. The average AUM was much less than the period closing AUM, if that's your question. But I'll get back with the exact number.

Abhijeet Sakhare: No problem. No problem. And then one more, again, sort of a clarification. When I look at the non-MF revenue breakup, for AIF, particularly, the -- the 21% number seems to be higher than what we get when calculating the number using the mix that you have disclosed. I think the calculated number seems to be somewhere around 14%, 15%. So are we missing something?

Ramcharan: So I'll just clarify. So from our perspective, the segment is AIF. We will probably make the change in the presentation. So I feel people text service in the same segment. So that put together, you see, 21% that we are talking about.

Abhijeet Sakhare: Understood. Understood. And then last one is that under insurance Repository, the EIA piece that you mentioned, that -- that's not -- that doesn't make money, right? It's the other piece, which is where you make revenues on a per policy basis, right?

Ramcharan: So I'll just take a minute. Yes, on a margin basis, I think the entire insurance repository business is close to breakeven. It's not making money. On the insurance repository, which is your EIA account and the per policy billing that we do, it's not at a critical stage where it's starting to make money. That is accurate.

The other business which we have in the -- outsourcing business, which is a more pure outsourcing kind of a play where we do some policy servicing, persistency, calling, feet on street, etcetera, and implant of resources. So that's the thing that is making a small margin. But the AIF segment, which is the AMC for the policies that we have, the policy conversion charges that we have and the transaction charges that we have, currently is not making money.

And that's why we're looking to the Bima Central platform, which should -- already started integration with a couple of -- 3 of the insurers and one has gone live. By April 1 when it's kind of a little more rounded in terms of an offering and transactions start flowing in, we hope to kind of see breakeven and start making money from the first quarter of next year.

Abhijeet Sakhare: Ok, thanks a lot.

Moderator: And the next question is from the line of Santosh Kesari from Kesari Finance.

Santosh Kesari: Okay. So I have 2 questions. One is about -- 1 question and 1 summation, actually. So the question is about EIA business and your alternatives business. So if you can share with us what is the total addressable market that we are trying to handle in terms of 2 years down the line, 3 years down only, it would be very helpful in valuing this business? That's one. And secondly, in terms of solution, I have -- that now that CAMS have a lot of businesses.

If you can share data points around these businesses in the PowerPoint itself in the presentation that you have, wherein the profitability of the different businesses and the operating drivers are also placed, it would be very helpful in terms of consistency of the information that is coming from your team, and we been able to look up quarter-to-quarter, year-to-year with focus.

Anuj Kumar: Okay. So from an EIA perspective, think of it that you've seen in the past some statements made by regulators of there being a compulsory demat regime potentially to be ushered into insurance. That is when the entire effect of EIA and electronic policies will kind of play out. That count of policies in the country is close to INR55 crores, which means if you want to look at the base of business, which at one time could accrue to insurance repositories, that's about 55 crores policies.

What accrues to them today is about INR3 crores. So that's about 5% of potential, which means the balance 95% has not been realized. Also the fact that because it has not become as popular as it could have and the level of integration with insurance companies, etcetera, is what it is, one’s ability to transact, which is to do either select a new policy or to make a claim, or to pay premiums or to look at a single screen and look at all your maturity values, etcetera, it isn't where it is, and that is why the transaction revenue is also not kicked in.

So that market is potentially a 15x to 20x market compared to what you're seeing today, taken with pinch a salt, that as a normal consumer movement, it has been going at a certain pace, making it mandatory at the regulatory industry level, will have a completely different impact. When will it happen? We can all collectively guess. So that's one.

AIF on the other side, have been significantly embracing outsourcing. You will see that from a total registered count perspective, there are almost 1,000 AIFs in the country, everybody may not have launched. We service about 200 of them. A lot of them may have outsourced or may have bought outsourcing services only for onboarding and TA kind of services. Now of course, you know that demat has become mandatory. So that and then fund accounting and other fund administration services, I would still say that the non-outsourced part is still quite large, it is sitting there.

Most of the new funds that get launched are getting launched in a captive manner, which means that they are priced and not coming to us, still they scale to, let's say, beyond 100 investors or beyond a critical mark. So that, again, from an outsource versus non-outsource revenue perspective, you can say that we've perhaps touched less than 50% what is out there. Most of the large AIFs, of course, have outsourced. So they are customers, but there is a significant number, several hundreds of them, which can potentially become clients over the coming years. That's fairly the addressable market for you.

Santosh Kesari: Okay. great. Thank you so much. And regarding my suggestion on giving information in a tabular format for different businesses in the PowerPoint. That will be helpful.

Ramcharan: So, yes, thanks for the suggestion. So we will give a tabular format of the revenue. And the other part of it, we will definitely have a look at it, sir, at the end of this quarter. Yes.

Santosh Kesari: Yes, okay. Thank you so much and wish you all good success.

Ramcharan: Thank you.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Ramcharan for closing comments.

Ramcharan: Yes. Thanks, Tushar, and thank you for the participation and continued interest in CAMS. We appreciate your time spent on this. And for any clarification, please reach out to our IR agency, Orient Capital, or Anish Sawlani, and we'll be happy to answer any questions that you may have. Once again, thanks for your time.

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

Ramcharan: Thank you.