



“Computer Age Management Services Q4 FY21 Earnings Conference Call hosted by Kotak Securities Limited”

May 26, 2021



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MODERATOR: **MR. NISCHINT CHAWATHE – KOTAK SECURITIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Computer Age Management Services Q4 FY21 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Nischint Chawathe from Kotak Securities. Thank you and over to you, sir.

Nischint Chawathe: Good morning. Hope you and your loved ones are safe. Welcome to the 4Q FY21 Earnings Conference Call of CAMS. Representing the management today, we have with us Mr. Anuj Kumar – Whole-Time Director & CEO; Mr. Somasundaram M. – CFO and Mr. Ramcharan S.R. – CFO-Designate. I would now like to handover the call to Anuj for his opening comments.

Anuj Kumar: Thank you, Nischint. Good morning to all the participants and the organizers. I am pleased to be amongst all of you today sharing our 4Q results. And, taking this opportunity to take you into in a more broader way what happened during the entire year. I am sure you all have seen the results in the press release and therefore broadly you are aware of where the numbers are.

4Q especially represented what I would call a solid trend, both in capital markets and in the mutual funds market during the year. Starting from 1Q we have seen sharp erosion in our asset, sharp fall in sales activity across the board in the mutual fund market and significant impairment to basic activities like advising investors, physical meetings etc. 4Q turned out to be quite a contrast to all of that as the backdrop of the pandemic has eased up in many parts of the country and of course it is pain the last two months. But I am talking especially of the period Jan-Feb-March. We have seen a sharp runup in the market that is largely equity indices. We saw improvement in participation in mutual fund defined by several metrics and I will get into what participation metrics

means. We saw some valuation gains, we saw restoration of sales activities, new product launches, new NFOs, return to positive accretion in several segments of money is coming in and uptick in the SIP book and an uptick in new investors coming into the market. So 4Q was in significant contrast to 1Q and as we kind of take you through both 4Q and the full year I guess we will begin to appreciate all of this.

I will start by giving you some of the business highlights especially pertaining to 4Q. One of the key metrics that we track, is the transaction volume. Transaction volume is a summation of what the investors are doing. And therefore, whenever you see significant growth, I think it is positive given the fact that the investors are more engaged and they try to do something with us. And in 4Q we recorded the highest ever transaction volumes. So, historic high of 17.2 million, investor and distributor-initiated transactions, so that is what 1.72 crores. This does not include SIP trigger, when that gets included, the numbers are different and again a very large number but I am just restricting to exclusive of SIP triggers. You are aware that investor onboarding is a very key activity for the industry and the ease that you make it to the investor to get onboarded the faster is the momentum of broadening the new investor base for the industry. Aadhaar based e-KYC which had been in operation since about 2016 has been wound down given specific instructions by the regulators and by the Supreme Court, but this was reallocated or reinstated sometime in 2020. So, we launched OTP based Aadhaar e-KYC to facilitate digital onboarding of MF investors and this we are confident will give a new fillip to the investor onboarding activities across the industry in the quarters and years to come.

Our focus on distributors continues to deepen. We have launched our edge360 distributor transaction portal sometime in August-September of 2019 and it has picked up very well and has several thousand distributors using it. We broadened this out by launching the mobile app sometime in the March timeframe and what this does is that earlier it was easy for the distributor to be sitting at a desk and transacting. But



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today they are sitting in the car and the driver is driving or they are in a public place, it is easy to do transactions through the app. This was an expected broadening out of the offering and we broadened out by putting the edge360 mobile app in the market in March of this year.

Consistent with the philosophy of offering unique and very enriched digital facilities to investors, we continue to broaden out the reach of myCAMS. myCAMS has now crossed 4 million registered user milestones and which is a large milestone, that is 40 lakhs people who have registered, who come once in a while and some who come every day to monitor the portfolio and transact. So, it is a unique facility and again the broadening out the growth in numbers has been very encouraging.

Our account aggregator business which were licensed in March of 2020 and where we have kind of set up the entire backbone and we started engaging with the market place to sign up with both financial information users and providers, you know there are two parts in the business. A number of financial information users, potential users who are looking for investor information for various purposes either for writing or loan approval or credit checks, or portfolio management and wealth management in all those areas are beginning to show interest. So, we added about 15 entities in the CAMS for account aggregator business who are potentially going to engage with us and on the information user. You may have read through our past releases, we have been offered the certificate of registration for CRA activity, this is with the National Pension Services, with NPS. There are two incumbent CRAs, we will be the third one. But the pension being the space that it is, this is an exciting space, it will take multiple years to build this business out, but that is a good beginning. CAMSPay, payment platform, continue to broaden services and are now integrated with larger number of banks for direct credit services.

In our investor satisfaction survey and some of you may have seen it on our portal and then myCAMS, this is a survey we conduct every year

in the months of February and March to gauge the mood and gauge specific feedback from investors in terms of how they like our service offerings and what they specifically do not like, are there any improvement areas, it continues to do better and better. In due respect, this was the third year we did the survey and we got very close to just about 20,000 unique investors coming and giving their opinion which is a very large encouraging number. We started with about 10,000 - 11,000 two years' back, grew to mid-teens and that has grown to just under 20,000 this year. Our satisfaction scores which is satisfied or very satisfied scaled past 95%, so it was an accretion. It was almost a good score, it was slightly under 95%, so 94 and some change. That continues to give us strong vindication of the satisfaction levels of investors. But also, gives us very valuable feedback in terms of where we can do better, which we continue to deploy in a service design, service delivery and platform design. With the set of MIIs and you know that the regulation is now kind of encouraging fintechs to engage with all parts of the capital markets stack and launch innovator products, services and service delivery formats, so not just new products but you can also launch a new delivery format someday. When do these things, the innovation sandbox of fintechs is a joined initiative of the MIIs and the two QRTAs. And we played a significant role in this development and obviously, that will be a beginning to popularize this through events, through various chapters of Tie and various other chapters of local startups and entrepreneurs that happens across the country. So, we continue to do that. And then we continue to invest in leadership. We continue to broaden out our talent pipeline. We inducted two C level offices in new positions. We brought in Indeevar Krishna as a Chief Process Officer and then we brought in Neeraj Lal as the Chief Risk Officer. These are all inductions over the last 4 months between January to April and both come with large and very deep, very well demonstrated skill and capability stats in the financial services industry, mostly in banking but also in insurance, so both have large banks and insurance companies and as we built our business and we broadened out of service capability, we are very confident that we want to continue

investing in leadership and bring over best in breed talent in the company.

Just in terms of some numbers for those of you who have screened the power point, it will be easier to relate to these numbers, but this is all public information, I am sure, all of you and most of you are tracking these numbers. I will quickly give you an asset summary of what the assets look like. So, like you know last year, it was a great year for debt funds. Debt as a category if you just saw assets month-on-month, quarter-on-quarter or year-on-year you would see a significant investor interest. So, debt as a product category in asset category grew quite well in the year. Equity, while SIP flows were consistent, lump equity was not showing positive accretion for a long time. But starting March, there were net positive inflows into the equity assets which is very encouraging. So, think of it as the backbone being regular SIP inflows, these are people who have committed themselves for a long period and they do not change their minds every month. So, they are committed to bring in money. And then the lump equity investors also when taken together with the SIP investors the net inflows turn positive starting in March.

In terms of overall assets how did we behave and I will tell you this in two parts. One is this industry AUM. Despite the backdrop of a tough year at 32.1 trillion and these are all industry numbers first. The assets grew 18.9% when we take Q4 over Q4 of 20. So, when you take year-on-year growth for the fourth quarter, assets grew almost 19%, 18.9%, which at the beginning of the year we have not imagined we would have achieved that, that number came true. And when you see sequential quarters, again these are industry numbers, assets grew 8.1% 4Q over 3Q. Within this, equity assets for the industry grew 21% over 4Q of 2020, again strong sustained growth and then grew 10.8% over 3Q of 21. And again, I would any quarter-on-quarter sequential quarter growth of double digits is very impressive. So, those are industry numbers. If you see CAMS numbers, pretty much in line with this our total assets are at 22.3 trillion or 22.3 lakh crores for 4Q of the year, grew 19.2%,



so grew slightly better than industry sequential years, which means over 4Q of 2020 grew 19.2%. Over 3Q of 2021 grew 7.3% and within that equity assets grew 18.5% over 4Q of 2020 and grew 12% sequential quarters 4Q over 3Q, 2021. So overall while assets have seen a sharp falloff in 1Q, has seen some restoration in 2Q, but till about October end we were still counting whether we were coming back to par, starting October and then driving into November-December and then driving further into Jan-Feb-March, I think the overall trend of assets and trend of participation grew very well both for the industry and for CAMS. Our market share based on quarterly AUM is 69.5% and in summary when you are thinking of this market, this of it that overall AUM growth would largely led by debt throughout the year and equity in the last about 4 months to 5 months. In terms of operational metrics, where did we see the operational metrics go, like I said each one of these is kind of a pre-indicator of what business is looking like because they all foundation blocks in the business.

Our total transaction volumes, earlier I had given you everything exclusive of SIP triggers but our total transaction volumes for the quarter were almost 86 million, 8.59 crores, this was up 5% quarter-on-quarter and 2% year-on-year for 4Q. Our SIP book that I told you that SIP sales which is net participation in SIP both gross SIP is being registered and the net ones we retained because some of the people do not renew and some do exit, is now over a 2.15 crores numbers, so 21.5 million is the overall SIP book, grew 7% year-on-year at about 5% quarter-on-quarter just given the backdrop of the year and the fact that falling markets can create panic. I think these are strong numbers and good vindication of the fact that investor maturity is significantly superior now. And most of the times investors bide their time and wait for the trend to turn rather than kind of flee in panic from the market. SIP transactions riding on all of this were 61.5 million, so about 6.15 crores, again grew about 4% year-on-year and 5% quarter-on-quarter. So, all this metrics, transaction metrics for 4Q were uniformly positive. All growing single digits, but I will say that you grow single digit quarter-to-quarter, then you grow single digit also year-on-year but you are

comparing yourself with a very normal 4Q of last year because you will remember that last year Jan-Feb were normal months. March was the trouble month when you starting the middle of the month, you are comparing everything to a very normal quarter last year, I think a single digit growth is very good. Investor folios and there were investor folios with balances. The folios without balance comprise another large chunk, but the ones with balance stands at about over 40 million, 3% up year-on-year, 1% up quarter-on-quarter and unique investors despite the rally in the markets ended up in 4Q at 16.6 million 5% year-on-year up and 2% quarter-on-quarter. So, I think across these major metrics overall transaction volumes, size of the SIP book, overall SIP transactions, investor folios and unique investors, I think across all those 5 metrics we saw single digit year-on-year and quarter-on-quarter growth. I think that just a healthy foundational, I would say a precursor of retaining to normalcy and having returned to normalcy.

When I look at the overall 12-month period and in the 12-month period like we have said, the first 7 months, every time you compared 21 with 20, we have to think of the first 7 months having been significantly impaired and some restoration which began to happen maybe in the November-December time frame. The numbers will be a lot more muted. So, industry AUM at 28.5 trillion or 28.5 lakh crores was up 8.6%. This is a 12-month story against that, CAMS if you take the annual comparison business of this full year, our assets grew 10.1%, so industry overall asset grew 8.6% year-on-year. Those are the full year, not the quarter, CAMS's assets grew 10%. On equity industry assets, year-on-year grew 4% on a year, this is average for the year. CAMS's equity assets grew 1.3%. So more muted for the year, more I would say accentuated for the 4th quarter and on an annual basis, the market share is at 70.1%. So slightly better than what is the market share for 4Q.

If I give you again 12-month operational metrics, the same 5 numbers that I had given you, this is for the full year so not 4Q numbers, but complete year number. Overall transaction volume was at about 323



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million, down 1.5%. But when you see down 1.5% again remember the first few onerous months all of us will be short. All sales activity was almost frozen apart from digital and these numbers are grown significantly in 4Q, overall SIP book of 21.5 million up 6.8% year-on-year. Overall SIP transactions at 237 million, almost flat, we are showing down 0.2%, that is very small number. So, you can think of it as a flat number year-on-year, 40.4 million the same number that I gave you for 4Q of live investor folios and 16.6 million of unique investor. So, I have now given you a lot of numbers for those who did not have the advantage of having the numbers in front of you, some of them may have been just, too many numbers crunched into shorter time. But again the fact that I want to underscore is that starting 4Q and maybe a little earlier starting December, we saw the advance metrics of investor engagement, investor participation, transactions coming in, unique investors, new unique investors coming into the market place and then as we kind of traverse that part, we saw that inflows into equity becoming positive, debt having been on a strong clip for the overall year, strong if you take 4Q-over-4Q last year, growth in metrics across the board and if that is were to be the sign of health in the industry, our belief is that that could become the baseline. And you know and I know that April and May again it is very tough month and we probably then faced with the same onerous sales that we went through in April-May of last year. But from a foundational perspective, 4Q kind of restores our collective phase that the market and market participant's activity as and when it comes back to normal will drive all the foundation metrics, will drive our operating metrics and when there will be some defined driver financial metrics.

So, I will pause here and hand over to Ramcharan and Somu to take it forward from here and give you the financial numbers.

Ramcharan:

Thank you, Anuj. So, I will just take you through the broad financial numbers for Q4 as well as for the year.

So, in terms of revenue highlights:



Q4, where revenue was at 199.8 crores just shy of 200 crores which was a 14.3% increase year-on-year, the comparable quarter revenue last year was 174.7 crores and it was 7.4% up quarter-on-quarter, this is the overall revenue, compared to 185.95 crores in the last quarter. The revenue generally consists of a few components. One is the MF revenue and the non-MF revenue. And within the MF revenue there is the asset based revenue which is calculated based on the assets under management handled by CAMS and the non-asset based revenue which is predominantly the transactional processing revenue and the out-of-pocket expenses, reimbursements and call center revenues. So, that is how the revenue was split into. In terms of asset-based revenue, this was up 18.5% year-on-year. The assets as such grew year-on-year 19% overall and Anuj was mentioning this was quarter in which we had both equity and debt growing year-on-year of which debt was growing at a higher step and equity also came back to its growth pace in the last quarter. The quarter-on-quarter growth in asset-based revenue was 7.4%. In the non-asset-based revenue, we had a growth of 20.9% year-on-year and 2.2% quarter-on-quarter as I mentioned the non-asset-based revenue is driven by transactional revenue as well as out-of-pocket reimbursables and some amount of call center and NFO revenue. This was the trend in the non-asset-based revenue. In non-MF revenue, which in this current quarter was actually down 16% year-on-year, this is the continuing trend as we saw in the earlier part of the year too. This is basically transaction driven revenue for our payment business and our insurance outsourcing business. As a conscious decision taken by the company last year, we also wound down the banking outsourcing business that we had. So, this constituted a major part of the 16% down year-on-year. But quarter-on-quarter aided by some uptick in outsourcing revenue especially the insurance sector and some extent the payments that we kind of had a 16.4% growth. So, this is the broad composition of the revenue for Q4. In terms of the AUM growth and asset mix, the equity component has remained same at 35% on year-on-year. This is again manifesting itself because of the comeback in the equity AUM as a function of the entire AUMs in the last

quarter. And year-on-year compared to the last quarter, it is up 1%. Overall AUM growth as mentioned by Anuj, year-on-year was at 19% and the quarter-on-quarter number was 7%.

In terms of our profit and EBITDA margins for the Q4:

Operating EBITDA was at 41.8% almost same as the last quarter and the last year same quarter. The PBT was up 20% almost year-on-year, the comparable number last year was 67.4 crores opposed to 80.9 crores in the current quarter and sequentially it was up 7%, that is 80.9 crores as opposed to 75.5 crores in the Q3 of 21. In terms of PAT, again it was up almost 40%. The comparison with last year Q4 was 40%, which nearly because there is a tax rate differential also between PBT and PAT in the current year, we migrated to the new tax rates, effective rates of 25.2%. So, the PAT is at 60.1 crores as opposed to 43.1 crores the corresponding quarter last year and sequentially it is up 6.6% which is 56.4 crores in the Q3 of FY21. Our return on net worth is at 46.6% which is almost same as the last quarter but and then compared to last year it has increased from 31%. This is also a function of the dividend that has been declared in the course of the year.

Let me quickly move on to the 12-month picture:

In terms of the revenue from operations, the 12-month revenue was 705 crores, this is up less than 1% when compared to the FY20 revenue but again this is on the back of two quarters where we had challenges and not just Q1 and Q2 because of the external environments. So, if you look at the quarter-on-quarter numbers, the first two quarters the revenue was less by 27 crores. So even making that shortfall we are kind of up almost 1% for the entire year to 705 crores as opposed to 699 crores in the last year. In terms of asset, again as I said the revenue was split into MF asset-based fee, non-asset-based fee and the non-MF fee, so in terms of asset-based fee, we are up 8.4% year-on-year and in terms of non-asset-based fee we are down 12.6%, again this is a function of the drop in the transaction revenue because of the lesser

activity we saw in the first two quarters of the year. In terms of non-MF fee, again as it was mentioned this is a trend that we have seen in the entire year there is a drop-in transaction-based revenue from the payments as well as from the insurance outsourcing sector. So, we are seeing a drop of 24.7% in the non-MF fee year-on-year. Overall if you see the mix, the MF share of operating revenue which was around 87% in the earlier year, has now come up to 90% in the current year.

On the profits and EBITDA summary for the 12-months are profits, PBT is up 11% from 246 crores to 274 crores and our PAT is also up 19.4% from 172 crores to 205 crores. So, a healthy growth in profits - PBT as well as PAT compared to FY20. And in operating EBITDA, the entire year we had an operating EBITDA of 38.7%. Again, the operating EBITDA is calculated on a non-AS116 basis which capitalization is disregarded and the actual rent paid is taken. And the return on net worth for the entire year was close to 40% as opposed to 31% in the last year. So, this in summary was the numbers, financials of quarter as well as for the 12-months.

And with this I hand it back to the moderator for him to take it forward.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravin Kurwa from ICICI Securities. Please go ahead.

Ravin Kurwa: My question is around, how many number of branches are operational now? Since these branches were our key strength, so in this COVID times due to frequent lockdowns in various states, how has this number panned out? And my second question is regarding the yields. How has the yields behaved in Q4 and FY21 on equity and non-equity AUMs?

Anuj Kumar: Let me take that. During the COVID phase last year, there was situation where we had shut down almost each one of our offices and that was because of the countrywide lockdown and the fact that almost all states had adopted it uniformly. This year there are situations panning out in different manner. One is that states which have adopted a complete

lockdown in a very serious manner, in the Madhya Pradesh for example, one of those states where this started happening early, we shut down our offices. There were incidences where the city or the state has not enforced full lockdown but we may have staff just everyone or most of the people are impacted and therefore we are forced to shut. And then there are containment zone issues and all those things. However, if you take the aggregate picture, we have not exceeded more than one-fourth of our offices being shut at any one time. So, think of it as a base of about 270 offices. At the maximum, we had about 60 of them shut and I am talking about April and May right now. So, the impairment trend has been smaller and because there is no concept about national lockdown this was happening in states. That is about one of your questions.

On part two, on the yields, I will give you a broad picture and I will see if Ram or Somu want to add anything. So overall it been an onerous year and within that like I said the first 7 to 8 months were very tough, both from an operating perspective. There were large deployments of COVID remediation as an expense that we had to do and this included everything including enabling thousands of employees to work from home, wherever there were firm lockdowns either in Bombay or in Tamil Nadu and Chennai, we would put up large masses of our people in hotel. We had to undergo mass amount of testing, provide additional transport and there were various cost heads and all of those we incurred which obviously were to our account and there are significant appreciations amongst our clients that we are making that extra effort in this area. So broadly the way you should think about yields is, one way to think about it is that yields held and yields held because of 2 or 3 things. One, between the debt and the liquid box, if you take them together which was nonequity, the fraction of debt improved almost every month and every quarter during the 12-months period including in the last quarter. So, yields of the debt and liquidity box, the debt plus liquid box obviously went up. Equity improved share of the total assets almost quarter-by-quarter and you would have seen that it improved in 4Q over 3Q. So, that added to the improvement and the fact that overall,

in terms of any new rate negotiations they were muted. If I put those three reasons together, that explains what happens to the yields, but I will see if Ram has anything to add to this?

Ramcharan: Anuj, I think the major points were covered in terms of the mix as well as the fee income, this covers main points.

Ravin Kurwa: And sir, what will be our concentration mix right now, top 5 AUMs contributing to the total yield AUM which we manage?

Ramcharan: I will get back with the exact percentage, but the concentration remains same as across in the last quarter. Most of the revenue, as in the industry is also similar, which is just concentrated over the top 15 players and revenue is also similarly concentrated for us over the top 10-15 players. The exact number I can get back to you on.

Moderator: Thank you. The next question is from the line of Shailaja from Concept Investments. Please go ahead.

Shailaja: My first question is, like we see increase in CAPEX, so how much are we able to add in operating method and by when?

Ramcharan: Let me just, sorry, repeat your question. So, is your question on our CAPEX plans?

Shailaja: Right.

Ramcharan: So, just to give you a context in the last year, given the circumstances that we had in the first couple of quarters, we actually been slow on the additional CAPEX investments. But in the later parts of the year, this accelerated. We started investing into the technology, into the information security. So, in the end of the year, if you look at the last two quarters the CAPEX was kind of backloaded. So, on a given year, this year we kind of did around 25 crores of CAPEX, in the next year I think the investments will accelerate on the technology platforms as well as on the information security requirements as you know regulatory as

well as the current situation demands that we have the cutting-edge technology. So, we expect that the CAPEX for the next year should be close to 40 crores.

- Shailaja:** You said it will be ready and added in operating assets?
- Ramcharan:** Yes.
- Shailaja:** My question is, is there a percentage that we keep on investing, a percentage that we keep on doing in CAPEX, a percentage of operating assets?
- Ramcharan:** Ours is a CAPEX light model, right? So, it is not as if, it is a CAPEX intensive business that we run. So, on a year-on-year basis we would assume that the CAPEX investment in normal year would be around 25 crores and these are all investments made in technology which is our software licenses, information technology tools that we need to procure and as well as the other cutting edge technology and software that we procure. The major expense that goes into the platform if you recollect is the software development which is actually OpEx in our books which is the software programmers to actually work on code, they are actually employees offer 100% subsidiary Sterling and hence these expenses are actually in the P&L as salaries and wages.
- Shailaja:** So, I just wanted to get an average percentage that we always need to invest in, a percentage of asset that we always need to add on?
- Ramcharan:** On a given year, given the current year, you take for example, we have 700 crores of turnover, we would invest around 25-20 crores on CAPEX and a little higher in any intensive year, so that should be the range that we are doing.
- Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Anuj Kumar at the beginning mentioned that two senior talents are being inducted – Chief Risk Officer and Chief Process Officer, so while that is good news, but I am surprised that this kind of positions did not exist before, because in a heavy process oriented business like yours that would have been an obvious position to always have, I would have thought?

Anuj Kumar: That is correct. Think of the Chief Process Office as a backfill, this position existed. It was created about 4 years back, we had an incumbent who left and then this was a vacant position for about a year. The Chief Risk Officer provision is an upgraded position. So obviously, there was a Risk Officer. But the Chief Risk Officer is an upgraded position with significant capability from non-capital market financial services industry because we wanted to be sure that we are bringing on the board the benefits and the advantages of people who worked in banking and insurance beyond the capital markets just to be learning from them and imbibing the practices. That is how Indeevar and Lal has come in. So, this position used to be called the Risk Officer, the Risk Officer continue and then we have upgraded and created a layer of a Chief Risk Officer.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: I had a couple of questions. Firstly, there are views on the Franklin Templeton integration and possibly some point on how would it impact the profitability in H1 and for the full year of FY22? And secondly, now that we are into, we have started tying up with for the account aggregator business with various parties now, what is the revenue potential of the business say in this year or possibly even 3 years down the road? And lastly on the dividend payout, could you give the absolute dividend number declared for the last year and what are the payout policy for the future?.



Anuj Kumar: So, on Franklin Templeton, we have got a verbal okay from Franklin in March of last year. And we have signed a contract in August. Between August to now, we have been transitioning the work and we think of it this way that we are close to being done. We are about 4 weeks to 5 weeks away from bringing over the work and bringing over the people. So, the transition has almost progressed in all its formats and there are then those baseline processes of submitting and sharing integrity of execution and integrity of identical execution as Franklin was doing to their committees and to their auditors etc. that is in progress. So, all of that should get done in the next 4 to 5 weeks and therefore we are expecting, this date has got deferred a little about 8 weeks, just given the backdrop of the pandemic, work from home and those kinds of complications. But we are expecting by end of June, this should be in. Now, we typically do not give client-by-client financials and numbers, but I would encourage you to just delve into public information, you can see their asset size. You know our asset size and if you add a and b, you will get the number. We are expecting share to increment by close to couple of percentage points. But all of that depends upon what is the value of the assets that come in at the times that they come in. But we are advanced.

Prayesh Jain: Just on that part, my question was more with regards to the expenses that we would be incurring to get them on board in H1 so that the business will be profitable as well, as from day #1 or how the progress of profitability will move for that part of business?

Ramcharan: So, if I can just take that question. I think we have guided even in the last earnings call, two parts to it. One is the transition cost which is already been incurred is a part of the P&L. We are also doing a rebadging exercise for the FT employees. So, what we had indicated is that it will take some time for the transition to be fully done and for steady state to be reached. And you know the depleted state of the assets in FT also. So, we expect in the course of the year, they should turn EBITDA positive.

And if I may just answer your question on dividend also, so our stated dividend policy is to endeavor to distribute 65% of our PAT as dividend for the year which we endeavor to do even this year and we have kind of declared 65%. The dividend for the current year if you see, could be little on the higher side. But that is because of the special pre-IPO dividend that was given in the month of August. But for that our dividend policy has always been consistently to give 65% of our PAT as dividend. In some years, it is little more than that. But the endeavor is to give 65% of our PAT.

Prayesh Jain:

And my question on the new businesses, potential revenue?

Anuj Kumar:

So, on the account aggregator side, just think of it this way that there are two parts of the business. There is a vital inter linkage to information provider let us say a bank, there is vital linkage to information seekers or users which is the FIU and we are seeing now building up interest in the market on the user side, which means that is pretty obvious, the people would like to see what is the franchise somebody else has built, so that momentum we are beginning to see in the market. Information givers or providers is a more muted progress. It is progressing, but it is slightly muted compared to the enthusiasm that the users are presenting. So, we signed up a set of users, we are testing a set of providers and hopefully should be signed up with them soon because there is a full test of both integrity and security and the kind of linkage that you have to maintain with the providers, all of that is happening. We have thought of the rate cards and how the pricing will work. So, our expectation is that revenue should happen in this year. But will it start happening from 2Q, a little early to say. We will continue sharing with you guys, but that depends on how many providers and users are seriously kind of architected and integrated into the system for all of this to begin. So, we are expecting that we should see revenue alliance within this year and we will continue sharing progress of that.

Moderator:

Thank you. The next question is from the line of Siddharth Gupta from AS Stock Broking. Please go ahead.



Siddharth Gupta: I have a few questions. The first one is, our share of operating revenue from mutual funds is roughly 90%, given that we are venturing into other areas such as payment aggregation etc. What is the management projection over the next couple of years our operating a revenue share would be, would it roughly go down to an 80:20 split or further? Second, my question was, is there any plan for the management to increase the fee charged from mutual funds based on their AUM? It is like in terms of the percentage that they wish to increase? And thirdly, what are our reductions for the payment aggregation business which I believe is a brilliant endeavor that the management is making and my hearty congratulations. But what is the management view on the competition that already exists in the industry and how are we placed to tackle it?

Anuj Kumar: So, let me take that. The numbers that you would have heard pre-IPO at the time of the roadshow was, this was last year that non-MF revenue aggregated to about 13% of the total. We voluntarily wound down the banking and NBFC outsourcing business and that caused some impairment. So, this number is at 10%. We certainly want to improve that; we certainly want to build that number and you can see that we have the right irons in the fire and the right efforts are being made. We are cognizant that running 5 key initiatives at one time for any management team can be very destructive and we are also cognizant that if we chased only one, that may or may not be successful and therefore that would be a bad strategy. So, I think we have the right mix and we are trying to scale these businesses. Will this get to 80:20 soon? So, do we want to get to 80:20, the answer is yes. Do I have a timeframe right now in terms of specific roadmap on how this will get and will it take 3 years-4 years or 5-years, we are not making any specific commitment on that. But the answer to your question is yes, we would certainly like to get to 80:20.

On the payment aggregation business while payments is a very growing space and I am sure all of us have reports and have read reviews of how much investment is chasing entities and how exciting it is. Do remember that it is a crowded area and increasingly we are finding that

it is becoming a price sensitive area which means that beyond a point, once you have the platform and you have a set of merchants bank and customers integrated, differentiation is small. Incumbents have some advantages and we are not very large incumbent. So, incumbents have some advantages, but taking share away from an incumbent is also not impossible. So therefore, we also expect that while the market will continue to grow, some element of price sensitivity and the buyer will continue happening and that is not just theoretical. We are seeing all of that happening. But it remains a very exciting space, we want to continue remain invested. We are taking all the right action to get that done. But more than that we are engaging with the market broadening out the product portfolio, bringing more banks on the platform just to make sure that we are doing the right thing. So, that really maybe are on the payment side. Was there another part of your question that I did not answer?

Ramcharan:

So, Anuj, I will take the pricing part of it. I think his question was more on our customer pricing. So, as you know this is a bilateral arrangement with the different MF customers that we have. And there is already a telescopic pricing structure built-in which gives a share to the customer as and when the AUM grows. In terms of specific customer contracts while these are bilateral discussions that will happen as and when it is due, we expect the year to be a normal year in terms of pricing. As Anuj just mentioned last year, we had incurred a lot of expenses on the COVID related stuff on work from home, on DCP etc. So, you know it helps us to pull the yields. So, we expect that the current year will be a normal year just like when there is a discussion of pricing, we will have the discussion but do not expect anything extraordinary in the current year.

Somasundaram:

I will just add. There was a question whether there could be an increase in price? Just to give the industry context, the overall pie available to the ecosystem is determined by the SEBI regulations which specifies what can be the charge to a scheme and as you would be aware it is a telescopic pricing. As the asset size keeps growing the charge to the

scheme keeps coming down and therefore within that framework all the players in the ecosystem which will play. As the asset grows, the unit realization will come down. And therefore, in a growing asset scenario increase in price is not a normal phenomenon. It does not happen; it has happened in the past in very unusual circumstances like a continuous stagnation for couple of years in the asset growth which is not a usual phenomenon in the Indian Mutual Fund industry. Most of the time asset keep growing. So, price increase is little bit unusual. It could happen for a given client because of any specific reason, but it is not a normal phenomenon.

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

Ashish Shah: Sir, I had a question regarding the multiple new AMCs that are going to come up either from the distributor side like Funds India or Groww or ETMONEY or some of the PMS side like let us say Alchemy and all those guys have applied. Is there any strategy to aggressively pursue, then add them to your clients list?

Anuj Kumar: We continue doing is, we engage with entities across the board and the new AMCs can come in several ways like you said some of the PMS operators will try to morph themselves into fund houses and then some of the new age people who have started as RIA distributors, digital RIA will also sense that they could be better off and be AMCs. One or two of them just wait for the license to come and the others may potentially think of acquiring someone and you use a lot of that in the market. So, the answer is yes, we continue engaging with everyone that we see. That is interesting in this business. Our track record of having won new AMC logos in the last 7 or 8 years have been very strong pretty much. Most of the strong names, especially promoted by banks, corporate houses, etc., come to us so that is some normal part of the operation which continue to focus on.



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Ashish Shah: Sir, is there anything specific that you would be doing because from what I understand I believe CAM were little bit more expensive than the competitor and the product differentiation from, there is nothing like too much. Will it be a pricing game or is it something etc. you would be offering that will attract these guys to you?

Anuj Kumar: See, conceptually as a philosophy we sell value. We do not sell price anywhere. That is the philosophy with which we approach market. I would just give what the market thinks, not about what I think, that there is significant differentiation, and that differential exist because it is a very thick stack of services and it is a very broad platform. So, within that for offering A and offering B to be identical, I mean it is like you may think that two email platforms are identical because both are sending emails, right? What else do you do? But when you go into the desk, you will see that there is just a lot of differentiation, slice-by-slice, scope-by-scope, we have very different view. The market is pretty cognizant of that. They are cognizant of what we deliver, what we stand for, the value that we bring to the table, whether it is day-to-day deliver, compliance, digital capability, sales and **aggregation**, quality of analytics and quality of platforms. So, the market is aware of this because mostly people who are applying have been in these capital markets for several years if not several decades. So, to give you a short answer, we sell value. We expect to be paid for the value. That belief has been vindicated over the last 2-2.5 decades and we believe that belief will continue to be vindicated.

Ashish Shah: And one other question, on the GoCorp, CAMSPay and edge360, is there any strategy to monetize it or would it just be add on services to your client because them being your clients?

Anuj Kumar: Initially when we had started, we were okay to just put it on the plate for these offerings to be consumed. Over a period of time, they have become substantive in size, GoCorp I am sure you have seen that metrics which we have been publishing saying over 20% of our share of the liquid and overnight transactions to go through GoCorp, so that

is a significant share a single platform has. And that took us about 5 or 6 years of hard work. So, our aspiration is obviously that we should monetize and again it is obviously that a customer should see value in that part of the delivery and pay for it. So, we continue to engage in those dialogue, success takes time, so it is taking time there too. But to answer your question in brief, yes, it is aspiration for that part to be monetized.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, firstly, if we take the employee cost, what should be the percentage we should look forward as a percentage of revenues, the employee cost, sir?

Ramcharan: So, on a historical trend I can tell you again this is dependent on the investments that we continue to make in talent and this is also a function of the staffing that you have to do from transaction perspective. As and when there is a growth in transaction there will be a requirement of additional staffing, but there will always be a lag. There will not be a one-to-one correlation on a quarter-to-quarter basis. But historically our employee cost has been in the range of 35% plus or minus a few percentage points.

Saket Kapoor: And sir, under these employee benefit only the managerial, the KMPs are also, the remuneration have been debited?

Ramcharan: Yes, that is right.

Saket Kapoor: And sir, what constitute the major part of the operating expenses?

Ramcharan: Operating expenses consists of two major parts, one is the OPE, the out of pocket expenses that we incur, this is compensated by a similar revenue line item for us and another component is of software expenses that we incur which is basically the various licenses that we buy, those

things actually constitute the operating expenses, main part of the operating expenses, then there is some amount of claims.

Saket Kapoor: Sir, those are clubbed in the other income that you are telling...?

Ramcharan No. OPE, that is out of pocket expenses is what we pay, but we get reimbursed. So, that is compensated by a revenue line item.

Saket Kapoor: That is in the other income, clubbed and other income.

Ramcharan : That is a part of the total operating revenue, it is not other income. It is a billing to the customer.

Saket Kapoor: And sir, the entire data processing and all, everything is cloud based, how is the data storage, the safety and servers are and the backup systems have been created, what steps have we taken? How much have we invested into it because the entire, everything is in the digital format? So, god forbid if there is any kind of, any cyber-attack, then the restoration work, how well are we prepared for that and how much is on the cloud system? What is the strategy there, sir?

Anuj Kumar: Think of it this way, all mutual funds is an entire on-prem model. And by that, I mean that all the applications, all the data and all the computing power is now in data center, three of them. Primary, backup near and far. So, three data centers mostly on-prem, every part of the stack which is everything related to the internet applications, data and computing. On newer offerings, which is payments aggregator, CRA, still new for me to what architecture we will go with. But we are deeply evaluating the cloud. DCP, security and every other part of the protocol that execution does not change too much because the principles remain the same. So, think of it as our password policy, storage policy, restoration policy will remain the same on whether we are working on-prem or we are working in the cloud, in the cloud of course there are restrictions and they are still an evolving thought on how much data you can place on the cloud which is why mutual funds continues to remain on-prem. But wherever there is regulator acceptance and wherever the market

practices are consistent, we are moving close to the cloud especially in the newer business line.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.

Dipen Sheth: I have a question, when I look at what you achieved over the last 3 years, from FY18 to FY21 and I want to take a longer perspective because I understand that the year that has just ended has seen all kind of disruptions and you have done good and you faced trouble but you have done some good things, you have taken up initiatives, that is great. But when I look at 3 years, over a period of 3 years, FY18 to FY21, I can see that consol revenues have risen just about 10%. And PBT has risen about some 16%-17% and that too is driven by a cut back in Opex and other expenses which is creditable. But for a business which has 30%-35% kind of margins and does not consume any capital, I do not think you have even 200 crores of hard assets on your books right now and I do not see you adding substantially to this number even as you invest in new initiatives. So, for a business that does not have hard assets which means it does not require reinvestment to compound its growth, until topline comes what is the excitement of owning a 30% margin business which is not growing. I am looking at it as a greedy shareholder of course. The worry I have is that this is a fantastic business but it is kind of a utility and as you create extra volumes and you grow along with the mutual fund industry, you do not post non-linear growth in profits for me. Is that a fair criticism or am I missing something? You did allude to telescopic pricing as well. I understand that. But even within that pressure of having telescopic pricing I would have expected a company working at high margins and close to zero consumption of capital to be able to figure out avenues to grow topline rather than just cut back on expenses and deliver a growth in bottomline.

Somasundaram: Let me take it. If you look at the way mutual fund industry grows, I am going now slightly backwards. Typically, the way the industry grows is

that it goes through a period of sort of a consolidation and then there is a very fast paced growth and then again it gets into some sort of a consolidation for couple of years. That has been the trend which we are seeing over a long period, 15 years' kind of a scenario. Now the last is 3 years, has come on the back of the previous 5 years. I am talking about starting from March 2014 to March 2019. If you look at that period, our revenues were growing at 19% CAGR. So, that was the kind of growth we were having and the bottomline was also slightly a tad above, the operating profits were growing at 20% kind of a level. Now, what it reflects. It reflects essentially in a way industry. We are play on the mutual fund industry. Our performance in a very large way reflects the industry and assets that we manage. Of course, not exactly the industry because during the same period our share has grown very substantially, almost 4%-5% which means we would have grown faster than the industry. So, the fact is, the last 3 years has come back on a period of 5 years which saw a hectic pace of growth and we want to give some numbers to you. Just one second. Let me give you some of the AUM numbers. If you were to look at FY14, the assets that we were servicing was 6,57,000 crores, in that equity was 1.75 lakhs crores. Then we went all the way up to 6.23 lakhs crores in equity and overall assets grew by 15.8 lakhs. That is the kind of growth we had and then it was followed by a sort of consolidation especially on the equity assets. While the overall assets may not show that kind of a slowdown, if you look at just the equity assets, it grew by almost just about 10% kind of a level over the 3-year period, FY18 to FY21 if you look at. So, your observation on 3 years is correct. But if you go back slightly backwards you will find that this company has been growing at a very healthy high double digit, high double digit is a wrong one, high teens kind of a growth. That is the way we would look at it. The other one which I would like to mention is that our efforts in growing non-mutual fund revenue has not been too successful. So, I will not deny the fact, we ventured into some of the businesses and we scaled it back. One prime example was banking and NBFC outsourcing businesses, that we saw that it is not scaling up and nor was it making profit. We are a company which chases profitable



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growth, not growth for the sake of the growth. Therefore, we scaled it. So is the case with some adventure that we took on the software side of the business for Sterling. So, question is a fair question. But I just want you to slightly go further backwards and you will find that the growth has been satisfactory kind of a growth.

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

Nischint Chawathe: Thank you very much for joining in this call today. We thank the management for providing us an opportunity to host the call.

Nischint Chawathe: If you have any further questions, feel free to reach out to the management directly or you can email them on shareholder relations at camsonline.com. Thank you.

Ramcharan: Thank you, Nischint. Thank you, everybody.

Somasundaram M: Thank you.

Moderator: Thank you. On behalf of Kotak Securities that concludes this conference. Thank you for joining us and you may now disconnect the lines.