"Computer Age Management Services Limited

Q4 FY '23 Earnings Conference Call"

May 08, 2023

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MODERATOR: **MR. NACHIKET KALE – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the CAMS Q4 FY '23 Results Conference Call organized by Orient Capital.. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nachiket Kale from Orient Capital. Thank you, and over to you, sir.

Nachiket Kale: Yes. Hi. Good morning, everyone. Welcome to the Q4 and FY '23 Earnings Conference Call of Computer Age Management Services Limited. Today from the management, we have with us Mr. Anuj Kumar, Managing Director; Mr. Ramcharan SR, who is the CFO of the company; and Mr. Anish Sawlani, Head of Investor Relations.

Before we proceed to start the call, I'd like to give a small disclaimer that this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed disclaimer is also published in the Investor presentation, which was released to the stock exchanges. I hope everyone had a chance to go through the presentation and press release.

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

Anuj Kumar: Good morning, everyone, and thank you, Nachiket. Very pleased to be amongst all of you for this Q4 earnings call. We will follow the standard order. I'll take you through a short summary of developments and highlights in Q4. You would have had the opportunity to download this presentation anyways by now. You should be able to see it, and I'll hand over to our CFO, Ram Charan, to talk a little about financials. We will have enough time left to take Q&A from you then. So to begin in terms of key highlights for Q4, all of you are aware that Navi Mutual Fund, which is a digital-first mutual fund, one of the leading digital-first AMCs in the country is now on the CAMS platform.

This was announced as a competitive win by us in 3Q and migrated to the CAMS platform by end of 4Q. From an AUM perspective, we were just above INR28 lakh crores in Q4. So it was a muted under 1% asset growth mirroring the rest of the market from Q3 into Q4. So our quarter-end assets stood at about INR28 trillion. Within this, we saw an encouraging trend in equity assets, where equity contribution of the overall assets grew about 0.5% from 64.8% to 65.3%. And this was largely on the back of growth in net sales, which grew by a substantial margin from about 63% to 73%. Now these are 1 quarter numbers. We've got to continue watching them to see whether this will hold over the medium to long-term.

I think the first signs are extremely positive. So really, an increase in equity net sales led to the growth of about 0.5% in equity AUM. On the Alternatives business, I'm very pleased to share with you and report just consistent financial performance, consistent succeeding financial performance over several quarters and now over the second successive year. On an annual basis, revenue grew 26% and this is just all-round growth in consumption, which means the installed base buying more from us, new launches of clients in the installed base coming back to us, almost everyone who launched a new scheme came back to us. So that's expansion in the installed base through new schemes. And a slew of very, very strong new logo wins for both AIF and PMS largely dominated by AIF. On the digital side, some of you may have seen the media releases and stuff on our website, which says that just basis our pioneering effort, which we started about 2 years back, almost 20% of investors, and this like I said earlier was the last standing bastion of where investors did prefer an in-person relationship manager kind of meeting, 20% of that traffic has now been converted into a e-franking, e-signing, completely digital flow.

And CAMS WealthServ has over 75 sign-ups. So imagine that out of the 1,000 of AIFs in the country, almost the top 70-80 are going digital on our platform and a lot more are expected to join the platform within the year. From a Finserv perspective, which is the account aggregator and TSP offering, we continue to gain momentum with several sign-ups in the quarter. You may have read that we were also the first ones to test a new use case of doing bank account validation. You know, bank accounts get validated largely through the INR1 penny drop facility which banks offer and payment aggregators offer. But a slightly richer information stack is available of account aggregator, where you can see second holder details and NRI account details etcetera.

So this is a pioneering effort by us. And then the acquisition of Think360, which you know is a very strong player and perhaps one of the 2- 3 in processing SMS data to gain consumer insights, that will continue to bolster the offering. In fact, for the Bank Statement Analyzer which Think has built, we now have 4 sign-ups along with the CAMS team, and this is what has happened in the last 1 month. We announced the acquisition about a month back in the beginning of April. So that will continue to bolster this entire offering. CAMSRep, from a repository perspective, you know that a mandatory Demat in insurance policies was announced as a forward-looking step by the regulator -- as a proposed forward-looking step back in September. The necessary regulation has still not got passed, but what you continue hearing is that there is a very active dialogue in the marketplace between the regulator and key ecosystem entities to take this forward and then create, I would say, the background to amend laws wherever laws have to be amended.

Within that, the one thing that we saw was that because of the active media and press and our efforts, consumers' preference to push their policies into Demat and their preference to open eIA accounts was almost 2x. So both in policy growth, which grew 2.2x and platform transactions at 2x. I think we saw very, very positive numbers in FY '23. And what we expect is that just given the consumer sentiment, this momentum could well continue into FY '24, even without the specific announcement kind of taking shape. If it takes shape, of course, the shape of things will be very, very different, but just the consumer-led and our foundational effort in the market, I think is yielding a lot of results here.

From an NPS perspective, we continue to hold the number 2 position in eNPS with a 9% market share. Our POP retail relationships are now in place, starting about February this year. So the large 4 or 5 POPs are now doing business with us. You can see our name on their websites when you try to create an account and buy an NPS policy. So that part is going on well. Of course, it's a slow climb as we've always said in the NPS CRA business. On CAMSPay, another great year, 27% revenue growth, largely riding on transaction volumes. I must also say that from a merchant sign-up perspective and from a new product offering perspective, this was a very strong year by CAMSPay. And we'll talk a little more about it. We received RBI's in-principle approval to be a payment aggregator.

We will now be pushing all of this business into the subsidiary and that should happen sometime during the year. And from a digital perspective, myCAMS continue to hold fort amongst the top 2 fintech apps. MF fintech apps with close to over 6 million -- 60 lakh downloads. MFCentral continued to gain popularity. I will just quote one metric for you where daily API hits, and most of them are CAS, the consolidated account statement hits.

We haven't yet industrialized and gone into production with partners on an API architecture for either financial transactions or non-financial, but just this is 20,000, we're expecting this to scale at least 2x during the year. And then for a lot of have to be added as -- sometime in this quarter, we should be able to go live with both NFTs and financial transactions. Also a very interesting offering in a single API across the mutual fund industry to service loan against mutual funds has now been developed and is being offered just to create a much easier consumer journey.

And collectively amongst all of this, we believe that MFCentral has a lot of real growth scope. One, of course, is just the traffic that comes to the app and the website, but also all the traffic that will come to the partner app. You will recollect in the first week of April, we had announced a strategic investment, upwards of 50% in Think360. This is a part of 100% buyout which will play out over the next 3 years or 4 years as we have the call option to invest 100% into the company. From a relevance perspective, while I'm sure a lot of you have read about what we released in our reports and have seen the website, Think360 has been active in both the India domestic market and in the international markets, especially the U.S., in several areas.

But from a product perspective, Algo360, which is -- you can think of it broadly in our offer as a precursor to account aggregator, not using the account aggregator architecture but using Android SMS inboxes to give insights on the consumer. They've been the leading producer with some of the largest banks, NBFCs etcetera on the platform. Similarly, Kwik.ID, which basically does -- it started as a video KYC tool is now very active for onboarding across the marketplace.

So you will find very, very large consumers like Central Bank, Bank of Baroda, Bajaj, etcetera, on the platform. And then there are other video-based use cases in terms of consumer attraction, etcetera, that are possible on this platform. So very, very popular 2 platforms. Algo is a complementary offering to account aggregator.

And like I said, in addition to account aggregator and TSP, the Bank Statement Analyzer product is now in the market is going live with several brokerages and a few NBFCs and the BSA comes from Think. Similarly, in FlowXpert and Amaze, Amaze, of course, is the data analytics platform for account aggregator, FlowXpert is a low-code platform, which helps integration of APIs and various other forms of SDKs through minimum coding. All of these are B2B products being actively sold in the Indian markets with very, very strong position in terms of franchise -- existing base franchise and pipeline. And we see complete complementarity and a joint go-to-market between the CAMSfinserv and Sterling teams and between Think360 for the various offerings related to account aggregator.

On the services side, just pure data analytics, and this is basically business intelligence, modelling, various kinds of data engineering, storage, warehouses, those kind of things. Think has been selling both in the major markets, on ground in the U.S. in a services model and on ground in India in a services model. And we believe that this will have a lot of complementarity with the data richness that the Indian consumer part of capital markets has, especially mutual funds and AIFs.

So we are creating packaged offerings to take to the market collectively. And you will continue to hear from us from time to time on how this is shaping up. Overall, and I spoke about this a little -- I'm on Chart number8. From an AUM growth perspective, I spoke that the annual growth was in the range of about 6% to 7%. The quarterly growth was under 1% in assets. The salutary occurrence, of course, is expansion in equity AUM share and in the equity net sales share going up by almost 9.5% during the quarter and again, a metric to be watched.

We believe what is a very strong underpinning, a demonstrated strong underpinning is SIP registrations. So these are gross numbers. They obviously have to be netted for iterations, but just look at the gross numbers. Whatever be the state of the market, 37 lakh SIPs gross registered climbing to 37.5 lakh, crossing 38 lakh, and touching 40 lakh in the Jan, Feb, March quarter, I think is a fantastic foundational metric for the industry as you've seen. This has, obviously, led to an expanded market share for us at 62% of new SIPs registered.

And an equally important number is to see that the monthly SIP collections, which for us crossed INR8,000 crores and are nudging in the distance in the direction of INR8,500 crores is again a strong foundational metric adding up to about just INR1 lakh crores of gross SIP-led inflows in the year. And last year, the industry has seen almost INR250 crores to INR300 crores at a -- growth at a market level, we've seen growth of INR150 crores to INR200 crores every month from a CAMS RTA level, and I think those are just great numbers.

If they consistently perform for another year or 2, this will continue to impact and grow the foundational participation in the market and obviously will be very accretive for the AUM numbers. NFO, again, very pleased to share with you, a growing 71% share in industry collections. Our clients, as you would have seen almost throughout the year, but specifically in the fourth quarter, going on overdrive through new offerings. These were across various areas, and I think have consistently assisted us in keeping market share and growing it in this emerging area.

Chart number 9, I'll talk about the numbers you've seen this all about a 68.2% market share based on quarterly AUM, INR28 lakh crores of overall assets, absolute assets of CAMS, just over INR13 lakh crores or INR13 trillion in equity AUM. Equity AUM did grow 18% year-on-year, although a very small growth quarter-on-quarter. And again, what we're seeing in the initial month, these are just green shoots, of course, and you're seeing the same numbers. I think those numbers have to hold and the interest rate regimes have to turn friendly towards equity investing overall. But that could lead to maybe some perceptible change during the year.

From an industry perspective, the industry just crossed INR41 lakh crores, overall industry AUM, and just over INR19 lakh crores for equity. You can see transaction volumes, etcetera, I'm on Chart number10. I think just consistent retail participation metric, whichever way you look, just consistent retail participation metric, the transaction volumes obviously led by SIP triggers. So you see a quarter-on-quarter 6%, annual 8% growth. The SIP book, I spoke about, I spoke about what was a gross metric, not a net, but the net metric is the SIP book. And you need to look no further than to see the 18% year-on-year growth. So you saw 40 lakh SIPs being registered with CAMS service funds in the fourth quarter, which was a gross metric, the net metric. What this leads to after the percentage is a 18% year-on-year growth in SIP book for CAMS service mutual funds.

Again, SIP transactions processed, 16% up, which means most of the SIP book holds similarly, live investor folios, 11% up in the year. And then from a unique investor's perspective, close to 260 lakh at about 12% up year-on-year. Similarly, on Chart number11, you have the same numbers for the entire year. I'm sure all of you are familiar. So I won't spend too much time on this, and I'll move forward.

I'm on Chart number 13. We spoke about the Alternatives business, 21% year-on-year growth for the fourth quarter, 26% for the year-on-year growth overall for annual revenue. We spoke about every other metric that you see here. Of course, INR1.5 trillion of assets under service is a brilliant number, but I think it will go up and will continue to go up just with the increased interest that we're seeing in AIFs.

You've seen that new AIF registration with the regulator in the year has been at the bottom of about 45.25 at the top about 75. That's almost like 1 AIF seeking registration every day in the best of times during the year, of course, not everybody has launched. And launches have been slightly slow, but all of that should come back as the market kind of turns back, and their ability to produce alpha overall to that, I mean over mutual funds and other modes of investment continue to get demonstrated.

Move to the next. And similarly, I spoke about account aggregator and TSP and about the new use case of bank account validation. So all of that has gone well. We are continuing to be under 10% market share right now but building up consistently, and I'm sure we will have better numbers to report to you as we progress during the year.

Move to the next. From a payment's perspective, again, very pleased to share with you greater than 50% market share. In our mutual fund ecosystem, you will remember 3 years or 4 years back, this was a much smaller number, but just consistent, I think tying the product very closely to the needs of the mutual fund market and very intense client engagement has led to this number. We have over 140 million active mandates, almost INR5,000 crores of monthly transactions.

So you will see all of these numbers consistently going up. Of course, UPI Autopay, which is now being used as an alternate to the eNACH mandate to just place a fresh SIP and allow for auto debits has been very, very popular, already 2 lakh plus cases and this will grow during the year too. And from an industry presence perspective, we have spoken about a significantly deep cut expansion in merchant base and a large number of merchant additions. Like we said, we have received the in-principle approval from RBI to set up a subsidiary and move this business there under the new license, which we will be doing now.

CAMSRep, I spoke a little. I mean, Chart number16, you can see some of the numbers. The only thing that I would like to add that there will be more excitement during the year as the Reimagine on the platform for doing transactions, and those transactions will be around premium payments, valuation statements around loan against insurance policies, which you know for 1 or 2 of the public sector companies has been a very popular mode for investors to raise money, that will go live sometime in the second quarter and create a special place for us overall in the industry. And then we continue to bid on the market as KYC becomes mandatory for insurance, both for life and non-life.

We continue to facilitate the service for our insurance clients and to make sure that they're riding on our technology as they do live validation and KYC for more and more of insurance consumers. I spoke about CRA, I will just restate, I mean, kind of reemphasize the numbers a little. Gross NPS registrations just under 3 lakh for the industry about 2,86,000, CAMS standing at about just short of 25,000, that's our number 2 position. And from a POP perspective, 9 POPs, think of them as 9 of the top 10, those are the kind we have onboarded, now continuing to add traffic to overall NPS CRA volumes for that.

I will take a pause here and hand over to Ramcharan, so that he can speak to you about financials. Ram, over to you.

Ramcharan SR.: Thank you, Anuj. So I'll take 5 minutes to take you over the broad numbers on the financials. From a quarter basis, we ended the quarter at INR249.2 crores in revenue, which was up 2.5% year-on-year and 2.3% quarter-on-quarter. The comparable number or the sequential as we said last year quarter was around INR243 crores. This is on the back of growth in MF revenue. MF revenue for the quarter was at INR222 crores versus INR217 crores, the comparable quarter last year and INR220 crores.

The growth broadly mirrored the growth in -- on a year-on-year basis, the growth in AUM, as you saw in the earlier part of the presentation. The AUM for the quarter, the average AUM was at INR28.03 crores, which was up 5% when compared to the last year same quarter. But sequentially, there was a very minimal increase, the assets did not grow for the INR27.83 lakh crores in the sequential quarter that went by. So overall, the MF revenue grew 2% on a quarter-on-quarter comparable last year basis and 0.6% on a sequential quarter basis. We generally break this down into asset-based and non-asset-based revenue. The asset-based revenue, again, broadly mirrored the increase in AUM or the stagnation AUM as the case may be.

So the sequential quarter, there was no change in -- almost the same number in terms of the asset-based revenue was INR187 crores. And the non-asset-based revenue, which was up very smartly quarter-on-quarter, 5%, and -- but down 5% year-on-year. The sequential quarter increase in 5% was on account of the increased billing that we are doing on adjacencies and allied services. For example, the MFCentral or the other application services that we give to our customers. There was some increase in the allied services like anti-money laundering, etcetera. So that contributed to a smart increase in the quarter-on-quarter non-asset-based revenue.

But overall, the transaction remains static, transaction revenue and the call centre revenue all have remained static over the year-on-year and quarter-on-quarter. From a non-MF revenue perspective, we've seen the earlier presentation, we would have kind of shown you that we have seen green shoots in some and smart growth in a few of the verticals where we have placed our bids. It was up 7.7% year-on-year. The current quarter non-MF revenue is INR27.5 crores comparable to INR25.5 crores in FY '22 Q4 and INR23 crores in FY '23 Q3. So which means that there has been a 7.7% growth year-on-year and a 18.6% growth on a sequential quarter basis, driven largely by the growth that we are continuing to see on the AIF vertical.

Year-on-year, we grew about 21% AIF. And payments continued to show a strong performance in terms of additional mandates as well as transaction processing, even from a digital as well as from a NACH and ECS perspective. The payment revenue grew 24% year-on-year on the back of the increased mandates and transaction processing. We've also seen some uptick in the KRA revenue. KRA, as you know, we are the license holders for the KYC verification in the securities market. We have onboarded some new customers on a quarter-on-quarter basis. The KRA revenue has shot up by almost 50 percentage, and we continue to be bullish on the KRA revenue going forward also.

So overall, the asset-based revenue is muted in keeping in line with the growth or no growth in the assets under management, but the non-MF revenue continues to show an uptick. For the first quarter, after many years, we've had the non-MF share of business to be more than 10%, it's 11% in the current quarter and the remaining 89% is the MF revenue. So we are slowly seeing the target state of 15%, slowly, we are coming towards that state.

And with the acquisition of Think, I think we will get to that place as planned and as communicated to you earlier. In terms of yields, which is the obvious question that a lot of people may have and how have the yields behaved and what is the reason for it? So on a year-on-year basis, our yields have been static, 2.72% is the yield that we have seen. But one thing to note is the asset mix, over the last year, we had a tremendous growth in the equity component of the asset mix. It was around 46.5% for the quarter and 46.4% earlier quarter, almost static, but on a year-on-year basis, we kind of grew. End of last year, it was less than 40%. Even on a comparable quarter last year, it was only 41%.

So over the period of the year, the increase in the equity component has had a favourable impact on the mix, and that's kind of nullified to a large extent, the depletion that's happened because of either the telescopic-based pricing or in some -- in a very few cases, some price remission that has been given for long-term contracts. So that trend has sailed out even in the current quarter, there is a small depletion in yield that we have seen in the current quarter, given that the equity has remained -- equity competent has remained almost same from an overall mix perspective. We've seen a small depletion in yields, but that is something on expected lines, and we continue to watch that number as we go forward.

I'll now go into the profitability numbers. As you know, we've always guided that our profitability will be in the early 40s. And we have kind of constantly retained that number as guidance. So even in the current quarter, we have clocked an operating EBITDA of around 44%, 43.9% to be precise at INR109.30 crores, which is our operating EBITDA, which is up 0.9% quarter-on-quarter, down 2.6% year-on-year on the back of increased spending and investments that we have done on the various initiatives that we spoke about, including the TSP, CRA, Reimagine platform and we're rearchitecting our current platform also.

So, overall, the margins continue to be stable, continue to be under the -- in the same range as what we predict it will be. From a PBT perspective, we ended the quarter at INR98 crores PBT, which is 38.4 percentage, which is almost flat quarter-on-quarter and year-on-year, and PAT of 29% mirrored the same thing. Our return on net worth continues to be very, very high at around 39 percentage. And we ended the quarter with a cash and cash equivalent of around INR482 crores, at a very healthy balance of INR482 crores in excess cash. And the Board was pleased to propose a final dividend of INR12 per share, which will be paid subject to the approval of the shareholders in the AGM.

So this is also the financial year-end. So just a couple of minutes on the revenue and profit numbers for the year and how it compared with the earlier year numbers. We ended the year with a revenue of INR972 crores, which is up 6.8%. The comparable number last year was INR910 crores, is a INR62 crores increase in revenue in the current year.

On the back of predominantly the increase in assets and the increase in the asset-based revenue and mutual fund revenue, the assets under management grew 7% on this year-on-year basis, and the increase in fee also mirrored that and we actually grew our asset-based revenue at 7.3 percentage. The non-asset-based revenue grew marginally at 2.7 percentage on a year-on-year basis for the full year. It was around INR133 crores, mainly because of the transaction and the other miscellaneous applications that we build, including MFCentral.

And the non-MF revenue, keeping with the numbers that we saw for the quarter also, for the entire year, there was a growth of 9.3% year-on-year, which is more than the asset-based revenue, predominantly driven by the AIF and the payments growth of 26% and 27% respectively. So overall, the yields on a year-to-year basis remained stable at 2.71%. However, we have seen a reduction in the yields over the last couple of quarters, and we'll continue to watch that number. So from an operating EBITDA perspective, for the year, again, we ended the year with an operating EBITDA of INR422 crores, almost INR421.75 crores, which is marginally down when compared to the last year.

So on a year-on-year basis, our profitability remains same. No big growth in profitability in INR287 crores PAT versus INR285 crores in the current year. The return on net worth continues to be very high at 40 percentage. These numbers are after considering non-cash ESOP charges, which was at INR26.7 crores for the year. That's kind of included in these numbers, the operating EBITDA, PBT and PAT numbers that I spoke about.

So with this, I will kind of end the commentary on the financials and hand it back to Nachiket, if you want to open it up for questions.

Moderator: Thank you very much. Our first question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Yes. So 3 questions from my side. First one, again, just to get a little bit more clarity on the yield part. So I understand that there is a telescopic pricing, but between the last quarter and this quarter also, given that equity has slightly -- share has marginally gone up and yield has slightly come down. So I just wanted to understand if there were, in fact, any renewals that happened during the quarter that kind of resulted in this? And then going ahead in the next fiscal, given that there has been regulatory development and taxation related development on the debt mutual fund side, I wanted to know your views on how you think this whole yield part will develop, and how would the asset growth be on the debt side? So those are the first 2 questions.

Third one, wanted to understand, also on the insurance repository side, what is our market share currently? And from your point of view, in terms of revenue for all the players whether what could be the opportunity size that we might be eyeing if things pan out the way we are expecting?

Anuj Kumar: No, sure. So what I'll do is I'll try to answer your questions, and then perhaps Ramcharan will chip in on the yields. See, on debt MF, and I'm just classifying this into 2 parts. We're not talking of the corporate treasuries, which come into basically overnight and liquids. I'm not talking of that money, but just pure debt where a lot of times the intention of the investor is to hold out for long-term capital gains.

When this announcement came and even till today, you've been reading articles and coverage that the segment will become unattractive for retail investors because of the tax rollback. What we've seen in reality is counterintuitive and it does not align to this line. So between 20th of March to end of March, our debt portfolio grew almost 8% to 9% in those 10 days on the back of intense selling, very easy to understand because every mutual fund was up in the market and all the CIOs were doing webinars just to tell investors that this is your last chance to book yourself into this money before the tax rollback happens.

So on 1st of April, the sales should have evaporated completely. But in the first 5 weeks from 1st of April up to last week, we have seen net sales of another INR9,000 crores to INR10,000 crores, which is a very good number. It's almost -- on our portfolio size, almost 2% up in 1 month from a net sales perspective.

And I think the reason for that -- there are 2 reasons, the industry feels about it. Once -- one, intense selling had not happened so far in debt. In those 10 days, the amount of consumer communication and push that happened at the level of every intermediary was just significantly higher, consumers almost rediscovered this asset class and have started to come back. And they haven't stopped coming back on 31st of March. They've come back all this while. Now will this play out for the whole quarter, the whole year, for us to see. But it's a counterintuitive trend, which is very important.

The second part of this is that as -- and you know, if you go back to December, January, the markets were expecting that the interest rate increase regime is coming to an end and it did not come to an end. It hasn't come officially to an end yet. So it played out in the Jan, Feb, March, April time period also. But as that happens, the expectation from medium-term and long-term investments in debt is that once the fall in interest rates begins to happen, then the NAV increases and capital gains there will be in addition to whatever else consumers will gain.

And I think a part of both of these, 1 and 2 of what I spoke have come to play. I think you've just got to watch this marketplace carefully for this entire quarter and coming days on whether this momentum will go away or whether this will continue. So that kind of encompasses the thing on debt funds. But as everybody was expecting that this will evaporate as an asset class for retail investors immediately as we cross over into FY '24, that hasn't happened. On the -- I'm moving now to insurance repository, where -- sorry, go on.

Swarnabh Mukherjee: Sir, sorry to interrupt, just 1 quick follow-up on this. Out of this INR9,000 crores to INR10,000 crores of net sales that you mentioned, any colour you can give on how much is coming from, say, corporates and how much is coming from individual business?

Anuj Kumar: Well, I can give you an approximate estimate that a lot of this money is coming from retail. We will try to pull out the number and give you more specifics. My suggestion will be just hang in for another month or so and see whether this plays out completely in May. But just think of it that this is not so much of corporate treasury money, this is more of retail money.

Swarnabh Mukherjee: Got it, sir. Yes, please go ahead, sir.

Anuj Kumar: Moving to the next, moving to insurance repository, we've spoken to you in the past that the size of the opportunity is about INR2 crores, to INR2.5 crores policies, which are under Demat, growing to over INR50 crores. So the size of the opportunity is 25x. Now honestly, what did all of us expect? We expected that starting September when those announcements were made, there would be in the next 4 months to 6 months almost a regime that would come into play.

What's happened is that we continue to hear from the regulator, of course, we are working closely with them to make sure that once the regime happens of mandatory Demat, then we have the capacity and the ability to service consumers if the market and when the market grows to the 25x, 30x, which it well.

And we also hear that they are in close discussions with the -- with all the ecosystem participants just to make sure that everybody's view is accommodated as they turn this into a statute and turn this into a mandatory position, which is something which is taking time. So from an overall industry perspective, there are various views that you know there are people who believe this could be a INR500 crores per annum revenue industry opening up.

Our own view is that it will go through some pricing depletion. And therefore, the more reasonable size could be a INR150 crores to INR200 crores industry which will open up, and there will be growth on top of it at between 35% to 40%. We are typically around 35% in terms of eIA accounts and upwards of 35% in terms of policies. And like we've said in the past that if we hold that position for the next few years, we can see a very interesting and large size market opening up for us.

Even without that, you would see that just by themselves, just given the increased coverage in the media and all the efforts that we're making, eIA accounts and policies have almost grown 2x, the new inflows have grown 2x during the year and we're expecting this momentum to continue during FY '24 also. I'll change the topic to yields, and Ram, if you want to take this?

Ramcharan SR.: Sure.

Anuj Kumar: Yes.

Ramcharan SR.: Sure. So just a broad and then I'll answer your question specifically for the quarter. So broadly, I'll just try to recap for everybody's benefit that the yields could be impacted by 3 things. So one is the -- one is obviously the telescopic pricing that we spoke about, the structure of the pricing with the customers is telescopic. The second is the mix that happens in terms of equity and others, and even within that, what happens between liquid and debt matters to the mix.

The third is the price reductions or remissions that happen to the customers when they come up for periodic negotiations. So in this particular quarter, we have seen a small depletion yield, in terms of, specifically, I think it will be around 0.02 bps is what we are seeing. Now 2 things have happened. One is telescopic pricing has played a part. Of course, you will say that the assets have not grown, so how could telescopic pricing play a part in this. See, you should also understand during the quarter, a couple of our major customers actually merged and got into a single entity. So this does have -- which means that the slab-based pricing for them gets automatically reset to a lower rate because the combined AUM becomes higher than the slab that was there earlier.

So there is an impact of that. And secondly, there was in the last quarter, we also said that there is some price negotiation that's been concluded with our major customers. All of them -- most of them got rolled over, barring 1 or 2, and one was a renewal after a 5-year period. So that has got a structure whereby progressively some discounts are given. So that's also having an impact on the fourth quarter. So these are contributing to both telescopic as well as the small pricing reduction we've given for one customer does contribute to this. However, what has been mitigating so far has been the equity, which as you rightly pointed out, there is not much of a difference.

0.01% difference in equity does not make a very big difference on the overall mix realization perspective. And overall, the pool, that is the decrease or increase was so small that even one small change here and there could have made a difference on the yields, because overall, almost it remained stagnant, 0.67% was I think the growth in assets itself for the entire quarter-on-quarter. So that's what has played out in the current quarter.

Swarnabh Mukherjee: Got it, sir, very clear. Just quickly, if you could highlight, should we expect any kind of such more negotiations happening in the coming fiscal or over the next couple of quarters? And also if you could quickly provide your comments on how to think about the other expense as well as the ESOP costs for FY '24?

Ramcharan SR.: Sure. So in terms of -- it is not a right conclusion to come that every customer contract will have a price reduction, it need not, it won't. A very few exceptions, like what we saw last time, which as you know there was a reset of rates after 5 years for a particular big customer. So the general trend is not to give a price discount. So I do not think that this is a -- this is going to repeat itself in the future frequently. Infrequently, there could be a situation where this may happen, but that's not going to be the norm.

So while the telescopic pricing will see and will see the price yield under pressure to some extent going forward. We are not for a moment saying the yields will improve dramatically or will remain static if there's telescopic impact. We do not see a situation where the exceptional price reductions or something is going to be given to the customers, which will have a onetime impact on this. We'll have to wait and see as and when the contracts come up for renewal. As I said last quarter, most of the contracts have been closed for a 2-year or 3-year period in the last year.

Having said that, there will be a few customers that do come up for renewals and we'll have to wait and see what happens from a TER perspective also. On the other expenses, well, the other expenses are the fixed expenses that you see, and you would have seen an increase of probably INR3 crores in the current quarter and that's what is prompting the question.

See, a couple of things. The other expenses also include the legal and professional fee, our deal-related expenses that we've incurred on the Think Analytics and Fintuple acquisitions, and the increase in business promotion costs that we are doing for the new businesses. For example, the CRA, the act that we do for the NPS, what we do for the events for the account aggregator TSP, and the increased travel and all those expenses that come into it play a part in increase in other expenses. There is also the BCP-related drills that we do mandate by SEBI, this has become very frequent, including unannounced drills for which we incur a lot of expense on travel, on accommodation etcetera.

So all these things are adding up to the increase in the other expenses, it's more kind of a fixed expenses that we see. There is some one-off in this. There is some one-off of INR40 lakhs, INR50 lakhs, which is the deal-related expenses that we incurred for the acquisition, which accounting standards will want us to write off in the particular period which we have done. So that's basically the breakup of the other expenses in terms of what you see in the P&L. Sorry, what was your third question, if I may ask?

Swarnabh Mukherjee: ESOP, sir, the ESOP, ESOP, sir.

Ramcharan SR.: Sure. So ESOP, as I said, in the current year, we have taken a charge of INR26.72 crores of ESOP costs in the current year. The last year, it was around INR25.3 crores. We have 4 batches or 4 plans now valid grants. And we expect the cost for this in the next year to be around INR14 crores. Now -- so that's INR26.7 crores the current year going to INR14 crores the next year. However, the only caveat I will give you is in the course of the year, if the Board does grant additional options, then the cost will flow into the P&L. But as of now, as things stand today, the current year cost was INR26.72 crores and the next year cost is expected to be around INR14 crores.

Moderator: Sorry to interrupt. Mr. Swarnabh, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Prayesh Jain with Motilal Oswal.

Prayesh Jain: Yes. Just a couple of questions. Firstly, just wanted some view on this. You mentioned that this size of the insurance repository could be INR50 crores. And in terms of number of policies and the overall revenue potential is INR250 crores. So if you're talking about just a INR5 per policy kind of a take rate, which to me seems to be much on the lower side, especially with services like you were talking about loan against policies or interest or reminders for policies. There's so many things that can be activated. This INR5 per policy, is that a conservative number or how should we think about that?

Secondly, on the core mutual fund business, could you give us some clarity on as to what is the flow market share in terms of -- on the equity side, in particular, what would be your net flow market share in the industry, and how it actually ends up in, let's say, past 1 year or so?

Anuj Kumar: No, sure. So on the insurance repository, just like we've seen in many other markets, yes, so I think the way I would sum it up is, it's okay for you to take it as a conservative answer. Like I said, different people have come in with different views of the size, potential size being between INR200 crores to INR500 crores. We continue to believe that in all such markets which are multi-participant, when markets open up, some degree of price depletion will happen.

It's not been a very competitive market so far. If, for example, depletion does not happen, then you will easily, just from a Demat perspective, looking at a INR500 crores market, but unlikely, unlikely that no depletion will happen. If prices deplete to 50% of where they are, then you could be looking at a INR200 crores to INR250 crores market. So take it as a conservative answer, let it play out. I think it is best to estimate with conservatism and let it play out and the upside will all be ours. That's one.

Secondly, from a transaction revenue perspective, we aren't projecting much into this yet. And the reason we're not projecting much into this yet is that there are various forces at play. You know that digital transactions from a chargeability perspective is both a yes and a no. I mean, if you just look around yourselves and see the number of platforms which offer free services, you will see several of them. And therefore, we believe that digital transaction charging is first to be inserted in the marketplace, the value has to be delivered to the consumer and to the insurance principle. So all of that will be on top of this, that is not arising out of the Demat alone. That's the way I would like you to kind of picturize this entire thing.

On part 2 of your question on what you should take as equity market share and equity net flow, you did see that equity net flow, and it's there in the presentation, grew from about 63-odd percent to 73-odd percent. Now it's a steep increase, I agree it's a steep increase. Can you read a lot into this or 1 or 2 of our large mutual funds and their schemes gaining back-end rankings, etcetera, a bit of that, a bit of that, and the rest I think has to play out over at least a couple of quarters before you and I kind of draw meaningful conclusions from this.

The share of equity AUM went up 0.5% riding on this, riding on SIP inflows, etcetera. So I think we'll have to watch it for some time, the numbers look good right now and improving. And you know that a couple of our large mutual funds have been building out their position in terms of market rankings, etcetera, for the last year or 2, and some of that has to show up now. So -- but I would much rather watch it for another quarter or 2 before I come to a real conclusion on whether the direction is firm here. Does it answer your question?

Prayesh Jain: Yes, it does.

Anuj Kumar: Okay.

Moderator: Our next question is from the line of Sahej Mittal from HDFC Securities.

Sahej Mittal: Just one question from my side on other expenses. So you alluded to the fact that INR40 lakhs to INR50 lakhs of expenses are one-offs, right? But even ex of that, there is some INR2.5 crores increase on a sequential basis, right? And if I look at first quarter and second quarter, so the run rate -- the quarterly run rate was at about INR19-odd crores which is now at about INR23-odd crores. So how sticky these expenses are, because the operating leverage will not play out, given the kind of growth which we are seeing in our top line, right? The growth has been soft, but the expenses continue to grow, right? So for FY '24, if you could give us some guidance in terms of expenses, that would be great? Yes.

Ramcharan SR.: Thanks, Sahej. Yes, apart from that, there is a INR2.5 crores increase. So I'll just give you some perspective on this. Some of these expenses -- I'll kind of split it into 4, 5 things, right? One is the legal, professional expenses that we see, the deal-related, but you should also understand that there is a lot of requirement from us from a SEBI perspective. There are several audits that we are doing now, which we did not do in the past.

For example, a VAPT audit is something that we are doing for the first time as mandated by SEBI, regular ISMS audits, internal audits. So it is a highly regulated entity requiring a lot of spend and everything is on top-notch firms or empaneled firms who are kind of doing it for us. So this is an expense that we will continue to incur in terms of the audits, and this is not a small amount. Just to give you a perspective, only on the capital market-related security audit, IRDA audit, ISMS audit, VAPT audit, cybersecurity audit, etcetera, in the last quarter alone, we would have spent more than INR50 lakhs, right?

So it's not an insignificant amount any longer. And then we also spent money on marketing, and this could be something that you will -- that will be the flavour of the future. For example, the market research for the Reimagine. Reimagine, Anuj was mentioning earlier is the platform that we are launching for the insurance repository, which has got huge benefits and upside to it. So we did spend a lot of money on thinking through the platform, working through market surveys, spend on media from a CRA perspective, including radio ads. So these are things that are the incubation of the business we feel, and we are very, very, very cruel about spending on this.

It's not as if we go and spend several crores on it. Wherever it's absolutely required, we do spend money on this. Then there is this traveling expenses and there is this various communication and other expenses. Admin infra, our offices for us to host the software engineers who are involved in this top-notch technologies, like the account aggregator, TSP or CRA requires a different kind of an infrastructure which we have built, and we increased costs for all those things. Having said that, this is not something that you will see a corresponding increase every quarter. That's not going to happen.

I think we have hit the limit in terms of our admin part of our expenses in the other expenses. What you could see is some inflation-led increases that may happen. I do not foresee a big decline happening in any of these expenses, probably a marginal decline could happen going forward, but a big increase is ruled out, it will not happen.

Sahej Mittal: Right. And if you could spell out the marketing spends for this quarter and full year?

Ramcharan SR.: So what we have done in the current quarter is around INR60 lakhs of marketing spend is what we have done in the current quarter. For the year, I'll have to get that amount and give it to you.

Sahej Mittal: Sure. And on staff expenses, so ex of ESOPs, are we looking at further investments into staff cost, and what kind of growth are we looking at the -- for the next year ex of ESOPs?

Ramcharan SR.: So, as you know, the biggest driver for cost increase there will be the annual increment, right? And we have rolled out an increment for the current year also from April for almost the entire organization. So going forward, the investment perspective, just to give you a -- from an opex perspective, we have spent almost INR12 crores for the year only on the initiatives that we feel will give us revenue going forward, which is your AIF, TSP, CRA, etcetera. We do not see that investment going down.

What we could see is the revenue coming up from these things to a larger extent than what it was in the last year. However, from an investment perspective, we will continue to incur this money. So we do not see a drop in investments, we do not see a big increase in investments either on the new initiatives from a manpower or a software development perspective. That is also not budgeted in the current year. We would be status quo on the investments that we're doing on the current resources who are involved in this development of these new platforms, including the Reimagine. But we do not foresee any big increase in the investment that we are doing.

So the increase in the salary cost will be what is driven by the wage increase. Obviously, we will try to offset a lot of that based on our productivity and process improvements, and the increase for the current year would be muted and we are confident of delivering that number.

Moderator: Our next question is from the line of Mr. Anand from White Oak.

Anand: Two questions. One is, you mentioned about a reset after 5 years in one of the clients. So the new rates applicable, is this again for another tenure of 5 years, if you can give us some sense of the typical tenure for most of our clients, is that in the similar range? So that is one. Second is, from the reset perspective, this is the first quarter of impact, so fair to expect that this shall play out through the next 3 quarters as well?

Ramcharan SR.: So, Anand, so typically -- generally, the contracts are 2 and 3 years, but not 5 years, that was kind of a one-off that we did 5 years back. So this is not going to be a 5-year contract. Having said that, without committing on specific customer contracts per se, we do -- we will see some impact of such negotiations going forward, but it will not be as large as what we're seeing in the current renegotiation because this -- simply because it came up after 5 years, right? There is no other reason for this other than the fact it came up after 5 years, in the 5 years, a lot of growth has happened and hence there was some amount of reset that happened.

You would see a continuing impact of this contract going forward in the next year also. However, this is not unnatural or different from what we see in other contracts also, which is always the rates are predicated on assets growing and the rates coming down. The same dynamics will play out in this contract also. So you will see depletion in yields on this contract if the assets grow going forward also.

Moderator: Our next question is from the line of Mr. Jatin Jadhav from Sahasrar Capital.

Jatin Jadhav: Yes. So my question is quietly -- the question is regarding business understanding. So I'm seeing this since March '20 to March '22, your shares went up from approximately 700 crores to 910 crores, 920 crores. But that was also the time of the bull rally. So I want to understand during, let's say, another rally comes and the market picks up, how will you generate more money or how will you generate more revenue? Like, I wanted to understand that, how is the correlation between the markets and more money is pumped into the mutual funds and how that is translated to shares?

Anuj Kumar: It's actually quite straightforward. You just need to watch our AUM because the AMCs are known, monthly AUMs are known. So that number goes up. And the only -- as I mentioned, multiplication of A by B, which is yields multiplied by assets. Like Ram Charan said over a period of time, yields may contract a little because mutual funds have a telescopic pricing, but that's how it works.

If you see the real rally which happened in FY '22, we saw a revenue increase in the range of INR200 crores in a year or about a INR700 crores base. So in an extremely active year, where markets and indices and assets go up and in that year, assets grew up by almost upwards of INR6 lakh crores, we saw that impact. So whenever a bull rally happens and whenever assets go up, you can expect that revenue will go up by the extent of 70% to 80% of how much the assets are going up, mutual fund revenue.

Jatin Jadhav: Okay. So my second question is regarding, since CAMS also acts like a very repository, we already have that infrastructure. Do you see any kind of business opportunity or any kind of opportunity on the ONDC platform where your skills and your -- basically the tech can be used?

Anuj Kumar: You're speaking about ONDC?

Jatin Jadhav: Yes. So CAMS, the entire business setup of your capabilities can be used over there, any business opportunity you see or have thought of?

Anuj Kumar: So right now, one of the obvious things is that when ONDC wants mutual funds as merchants, then obviously they'll need an integration with us, they need an integration with the entire MF industry. And those kind of dialogues are kind of being contemplated and are under underway as we say. Is there something bigger than that, which means can we play a more, you say, central role for ONDC, etcetera, I won't comment on that exactly, but yes, I mean possible, but we haven't tried any of that yet.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ramcharan SR, Chief Financial Officer, for closing comments.

Ramcharan SR.: Thank you, Nachiket. So I thank all of you for taking time off and attending this earnings call of CAMS, and thank you for the continuing interest that you are showing in CAMS. Please do reach out to us to Anish Sawlani or to Orient Capital in case you have further questions or queries, and we'll be happy to assist you. Thank you once again for joining this call.

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