



“Computer Age Management Services Limited

Q2 FY ‘23 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 FY '23 Earnings Conference Call of Computer Age Management Services Limited. We have with us Mr. Anuj Kumar, Managing Director; Mr. Ram Charan SR, CFO, Mr. Anish Sawlani, Head Investor Relations. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation 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. 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. So, do 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. Anuj Kumar, Managing Director. Thank you, and over to you, sir.

Anuj Kumar:

Thanks Faizan, and good morning everyone. I thank you all for sparing the time today for attending our earnings call and I hope that I'm audible to all of you. The way we will structure this is like we've done in the past, I will run you through a small presentation on how the quarter was and the key highlights. And then I will hand over to Ram Charan, our CFO to speak specifically about the financials. And then we will have enough time left over for a Q&A session.

So I'll begin, I guess, most of you must have downloaded the presentation, I will just take you through a sequence of sale and highlights. Overall, when I speak about our core business, which is the mutual funds business, our assets, which is the core, you can think of it as the operating metric in the business, were at the highest ever and scaled past the 27 trillion or 27 lakh crore mark. The average assets were at 27.1 lakh crores, which is an all-time high. This represented a 3% increase over 1Q.

So after a period of time when there was almost muted growth, this was the first time in maybe three quarters that we saw an inch up in the overall assets. CAMS Service Funds continue to maintain dominant 69% market share in overall assets of the mutual funds market. So that collectively is reflective of a steady quarter for the core business.

On the alternative side, we continue to see both real growth in the market, also potential growth, accelerated signings, many, many new alternative funds getting registered, so all of those are pointing to what could turn into an exciting marketplace. We registered a 32% year-on-year growth in revenues, which is a very encouraging number.

And then CAMS Wealthserv our digital onboarding platform, scaled past 50 sign-ups since launch. This is a number we have referenced in the past and about just about a year and quarter,

about 14 months, about 50 sign-ups. Of course, it's a long road and we need to and we will do a lot more, but a very nice milestone for us, 32% growth and revenue is a strong growth number.

On NPS, the CRA business, we have launched the CRA platform on cloud in March 2020. We had a 9.5% share and number two position in the eNPS, the direct-to-consumer part of NPS, the eNPS part. On CAMSfinserv, which is the account aggregator and it's adjunct which is the TSP offering, We've been seeing momentum in the markets, 35-plus mandates have been signed till date. And overall at the market level, you would have seen that now both SEBI and PFRDA had release circulars to enable capital markets participants and pension funds to join the ecosystem, which is very, very encouraging.

Our Digital properties, myCAMS and edge360 clocked a quarter-on-quarter volume growth at 10%. This was some share gain from other electronic channels, which is very encouraging. We continue to service a growing clientele and our engagement with them on the digital side continues to improve.

MFCentral, it solidifies our role in the MF ecosystem and the encouraging thing that we've seen during the quarter is a lot of interest in the APIs, especially the cash API, that is one API which is now enabled across the ecosystem and there are participants, which are live. If you go to the apps and websites, when you get a cash statement that is coming out of MFCentral and that number is likely to expand. So we've seen what I would say, a sustained initial interest on the API participation with some of the core platforms already linked and functional. And of course, during the current quarter and next, we are expecting this to solidify quite a bit.

And lastly on CAMSRep, which is our insurance business or repository business. You have seen sustained I would say, reporting in terms of change in architecture of the overall marketplace which is around KYC becoming mandatory and electronic insurance issuance becoming mandatory from a given date, those dates -- the date for the second part is yet to be announced.

However, riding on that, our e-insurance accounts and e-policy numbers doubled in volume during the quarter and we are expecting this growth to remain sustained as investors become more interested in this format of holding their policies and also as the necessary steps from a regulatory front are accomplished for us to get to that regime.

And then PolicyGenie, which is our deep contract dressing solution. Assisted insurance companies in closing over INR 100 crores of unclaimed benefits till date, this is just the beginning, as we've said in the past, it's a unique high-impact tool, which is helping address one of the related needs of the industry and we're happy with the progress we are making.

Overall, I move forward -- our growth and I'm talking about the mutual funds business, our growth in overall AUM, SIP registrations and transaction volumes if you ask me, just fundamental foundational operating metrics, it is these. AUM like I said, went past INR 27 lakh crore at 27.1%, which is an all-time high.

Our NFO collections were over INR 12,000 crore during the quarter, but the significant thing was so spanning over more than 40 schemes. So, you can think of a 13-week quarter and you can think of NFO in almost 40 schemes in that period, which was a granularized number and then in terms of SIP registrations in the first quarter and gross registrations were at INR 37 lakh in the second quarter at INR 38 lakhs. So that number is holding out at an aggregate value quite well.

Our share at 61% during the quarter is holding out quite well and I would say the most encouraging of these is the SIP inflows, which at the industry level, you've seen across INR 13,000 crores for a month. At CAMS level, they crossed INR 7,500 crores and have grown by 5% over the previous quarter. So, as you know this SIP collection continues to remain the backbone of the equity net sales number across the industry, both the gross sales and the net sales number and continues to inch up increments almost every month and is providing the necessary tailwind and I would say, the sustaining force to the industry in terms of investor participation.

Live SIPs grew by over 14 lakh between July to September, so again, a strong number. When I look at transaction volumes, which is about what investors are doing with us in our funds, that number scaled up from just over 111 million to 113 million, so about INR 11 crores in the last quarter about INR 11.3 crores in the current quarter.

What we have the next chart is just an illustrative ranking chart, this is just -- although it's a known metric, all of you know these numbers very well, there's nothing new on this. But just to show the contrast between where CAMS Service Funds stand, especially in the top pecking order of the top 15 funds. I think this just contrast the overall market, the quantum of assets that our funds sold, the quantum of assets that we do not hold, competition holds. This is just to frame all of that and give you a single one-page pictorial view. Well like I said, this metric is well known to all of you and we will move forward.

Overall, in terms of share and share gain, you know that share gain is measured as a percentage of assets in the industry. Pictorially, I think the illustration shows you that over a 12-year period starting about 2010 to 2022, CAMS Service funds gain from 56% to 63%, in '17, 63% to 69%. The non-CAMS part has therefore got pared down over this period from 44 to 37 and 37 to 31. And then just in terms of, that's largely in our market attributed to these skill players, share is typically a share gain is attributed to the scale players.

But if I talk of the non-scale players, which are the new players who came in and what could they do outside of the scale play. In the last 10 new MF launches, and we are restricting ourselves to launches. We are not including in these name changes, ownership changes and those kind of entities, but pure new launches, new to the market entities, Among the last 10, we had won 5. When you see the scale, which has been reached across these almost INR 45,000 crores, of course, the time period could be different, but what we achieved and what someone else achieved, but would be INR 10,000 or INR 45,000 crores, just a large-scale difference in terms of scaling. So that's an interesting metric chart in terms of how shares have changed over a

sustained period. Share has changed over a shorter period, and how new launches in the market have performed over a period of time, both us and the mandates that did not come to us.

From a mutual fund industry and CAMS AUM perspective, I spoke about this, 69% share. Net flows into equity assets remained positive during the quarter. SIP flows increased 5% quarter-on-quarter, 27% year-on-year. And again, like I would say, those was a time, three years or four years back, it used to be said that this could be the game-changing metric, the middle of the pyramid, bottom of the pyramid, participation in the mutual fund industry. But it looks like that's beginning to happen in a fairly sustained relevant way, where SIP collections, SIP numbers are not just indicative of retail participation, they're indicative of overall market AUM growth and net sales numbers.

In terms of industry versus CAMS, these numbers are published, you know them, INR 27.1 lakh crores versus INR 39.6 crores, year-on-year, just out a 6% gain for us against 8.3% of industry. quarter-on-quarter, 3.1% versus 3.5%. On the equity side, the gains are much better as you can see, when you come to the bottom of the chart, INR 12.2 trillion, INR 12.2 lakh crores is our asset base of the gross size of INR 18.4 lakh crores, which is the industry, a 21.2% year-on-year growth on the equity side for CAMS versus 20.1% so 1% delta. And then 7.5% on the quarter-on-quarter side versus 6.8%, so amount of 0.7% delta.

On the transaction side, and again, these are numbers that you are aware of, transaction volumes growing 11% year-on-year, strong, good engagement metric with consumers. SIP book grew 5% quarter-on-quarter, but 26% year-on-year so stands at INR 3.27 crores, INR 32.7 million on end of the quarter. Systematic transactions processed during the quarter, about INR 93.6 million, again, growth, very similar to the book growth at 22% year-on-year. Live investor folios at INR 53.19 million. And then unique investors year-on-year 32% growth at INR 24.2 million. So all of that, again, foundational, I would say, directional metrics in terms of how many investors are coming in and how they are participating in the market. All of that looks for notionally very good.

I'll move forward on MF Central, you will see that about 1,000 users are registering every day. Almost 9,000 to 10,000 logins every day and then upwards of 1 lakh, about 125,000 downloads. Now this number can be much larger, will be much larger. But for the initial period, we're just closing a year of being out there in the market. And this is just the consumer participation what the consumers consume through the API-based participation will be numbers on top and you don't see here. But I would say a reasonable progress as we go deeper and kind of make active attempts and market this platform even better. All of these numbers are likely to scale very positive feedback on the functionalities that are in enshrined in a single design.

I wanted to talk a little about adjacencies and how they have been slowly converted into products for the benefit of the marketplace, when you see Recon Dynamics, we've spoken about this earlier, the proprietary reconciliation tool, which is put to use for mutual fund reconciliation, but is also now actively solicited and sold to the insurance and online sectors, loan against mutual funds, MF Central, etc.

And then you have seen that across the board, products like WINcentive , which is a sales incentive administration tool, which enables the front end of the food chain for asset managers to have meaningful negotiations with the marketplace with the intermediaries and then give them incentive plans and schemes which are then set out for approvals and then get set up in the system, so that in a very prescreened, untainted way, they can be administered it's a large expense for the sector, so it has to be done with very high accuracy, and this is the tool which enables all of that to happen. Similarly, our APIs for AMC's and intermediaries are powering their expansion through digital means. CAMSPay, which has a variety of solutions and the underpinning used to be the NACH solution now has expanded to UPI.

You read about some of our AMC now being live on UPI auto pay and that's going to give a fill-up to the SIP market additionally in terms of how payment mechanisms or how additional payment mechanisms will be available to the consumers. And then across the board through eKYC, eSign, AML checks, etc.. So a variety of solutions are now out of the platform sold and offered as part of the platform, but also offered independently if somebody is interested just to improve the use cases and turn adjacencies and to meaningful businesses for the group.

I wanted to spend some time on the alternatives. Like I said, 32% revenue growth year-on-year, which is a very meaningful number. New business addition in terms of new logo wins, 19 new wins in the AIF PMS space during the quarter. So more than a signing every week, and that's something that we've pulled ourselves on to capture a significant and disproportionate share of this market as it expands. So that's a sustained number. I wanted to speak to you about the 50 funds which have signed up for AIF and PMS for digital onboarding something that I mentioned at the beginning.

And I will also mention that Fintuple Technologies, which is an investment we've made as a majority investment in a startup firm which has platform-based solutions in the area of integrating with custody and general onboarding for both PMS and AIF has now had a couple of medium-sized meaningful wins with large brands and large players in the market in the last seven months. We will continue to cover that in the ensuing quarters, but we just thought that this being the second quarter when Fintuple has been a part of CAMS. Just to make a mention that the progress has been encouraging.

And our Gift City operations now have five side of clients. On account aggregate and TSP, I spoke a little initially. We're seeing significant momentum in terms of proliferating sign-ups across various entities, but now specifically on the wealth and advisory side, under the broking side, we are finding participants becoming interested and becoming part of this ecosystem. Largely, it was led by the banks till about three months back. We are covering the marketplace through targeted events largely in terms of end use cases of this product.

And then overall unique value proposition, which couples our digital solutions, along with core AIF offerings is now part of a very well-received bouquet of solutions in the marketplace. Guidelines for SEBI-related entities have been released. We are under prep to become the FIP gateway for our part of the industry. And overall, both in terms of SEBI managed entities and PFRDA management entities, there are specific guidelines for them to become part of this

overall architecture. So in general, encouraging news across the board. NPS I spoken about that 9.5% market share, We are the No. 2 position in new NPS sales, eNPS sales during the quarter for FY '23.

And then on the insurance and the insurance repository side, like I said that because there was sustained media bonds on what could be the future of the industry.

Part one is for KYC to have become mandatory part two is for e-insurance or holding insurance in the insurance format. The new issuance to be mandatory in that format for that to become mandatory at some point in time in the near future. Riding on that, we are seeing uptick in the consumer awareness.

And what better sign to see that than to see the number of new policies and number of e-insurance accounts doubling over 1Q. And of course, this is what I call green shoots. These are first signs the sustained increase has to remain this way over the next three quarters, but we believe that our structural changes happen in the industry. It will certainly benefit the consumer and the way they interact with the insurance industry and will certainly means for us to expand our business.

And then we said that our overall digital solutions including insurance repository services do continue to improve and expand policyholder experience. I spoke about the repository tool initially.

One more thing I would say is that the CAMSRep applied for the Sandbox project with IRDAI or developing an industry platform for assignment. This is the digital policy assignment. This completion report is now done. The Sandbox is fully functional and we are kind of end route to commercializing this product by adding a meaningful number of insurers and financials and as you know, just like loan against mutual funds, loans against securities, loans against insurance will become a familiar common product over the coming years. And happy to share with you that we've taken the full position in this particular area.

I will pause here and hand over to Ram Charan to now cover the financials.

Ram Charan SR:

Thank you, Anuj. So I'll just take the next few minutes and go through the broad financials for the quarter. As Anuj was mentioning, there was a recovery from the asset growth side on year-on-year basis, the asset center management grew by almost 6%. So tracking that my mutual fund revenue as well as the overall revenue grew by 6.3% year-on-year.

On quarter-on-quarter two, we saw a growth in AUM almost 3 percentage. So the revenue also grew by around 2.5 percentage largely on the back of growth in mutual funds and growth in mutual funds and asset-based revenue. So for the quarter, we ended up with a revenue of INR 242 crores, which, as I said, is up 6.3% year-on-year. The corresponding number was INR 227.6 crores in the FY '22 Q2. On a sequentially, we were up at 2.4%, which is compared to INR 236 crores in the Q1 FY '23.

Mutual fund revenue broadly mirrored the growth in AUM. The growth was 6% on mutual fund revenue year-on-year basis, which is minorng the growth in AUM. And on a sequential quarter

basis, it was up 2.3%. -- against AUM growth of 3 percentage. And most of the mutual fund revenue growth came from the asset-based revenue, which again wired the same percentage, a 6.6% growth year-on-year we ended the quarter with INR 185 crores of asset-based revenue versus INR 173.5 crores in the corresponding quarter last year. That's a 6.6% growth.

And sequentially, again, we were up by 2.3% quarter-on-quarter. The number last quarter was INR 180 crores. Again, broadly mirroring the trend in the growth in assets. The assets growth also had a disproportionate growth in equity, which actually helped in sustaining to an extent our yields. Equity AUM actually grew, as Anuj was mentioning, around 21% year-on-year which is a very healthy growth. And hence, the mix asset mix was favorable for us. It was around 45% of the total assets for CAMS is a equity component.

From a non-asset-based revenue, the growth was 3.6% year-on-year, driven largely by increase in call center revenue, OP and application revenue.

There was some reduction in the transaction revenue for which kind of depressed this a little. But overall, up 3.6% year-on-year. The number for the quarter was INR 33.2 crores. That was the non-asset-based revenue. Sequentially, quarter, it was up by 1.2% in -- there was some drop because of OP as well as call center.

From a non-MF revenue against smart growth, 8.2% year-on-year and 4.3% quarter-on-quarter. The non-MF revenue for the quarter was INR 23.7 crores almost INR 24 crores and again, as you saw in the earlier part of the call, the AIF is doing a smart growth in terms of greater than 30% year-on-year and 6% quarter-on-quarter. So AIF continues to grow. -- alternate continue to grow. In fact, based on the requirement from this call, the last few quarters, we've also published a chart which gives you the overall breakup of the non-MF revenue. And if you see the increase in trend of AIF, almost like 3% of the total company revenue is now AIF.

Similarly, CAMSPay is showing a smart growth in terms of more than 30% year-on-year. And Rep is now beginning to see the uptick in terms of the new notifications that is expected or the KYC mandatory for general insurance that is coming into play. So the non-MF revenue is growing 8.2% year-on-year on the back of pretty smart growth in AIF as well as the payments business.

And just a small commentary on the yield because that's a question that often gets asked -- in terms of yield, as we've already kind of guided, there could be a small yield compression that happens in some quarters and some counters, it may not. It is a combination of various factors. -- what we have seen play out from a quarter-on-quarter basis, a small depletion yield contributed by two, three factors. From a year-on-year basis, actually yields are very stable. But on a quarter-to-quarter basis, there is a small decrease.

Again, this is -- the telescopic pricing will play its part on this and equity slabs are more prone to this telescopic pricing depletion. And as the equity assets growth, there could be some impact of that. Although the mix has offset this to a large extent, the increase because of the depletion because of the equity slabs telescopic -- there were some pricing contracts that were kind of

finalized during the last few quarters with some of the major customers and the impact of this is there. And the good part is most of this has been closed for the next two or three years.

And also within the mix, you would see that the debt has fallen at a pace which is higher than the liquid. And you will understand that the realization for a debt asset is much higher than what we get for liquid assets. So within the non-equity segment also, the fact that debt and given the market conditions, which you're all aware of, has fallen steeper than what liquid has fallen. So that's having a small impact on the mix benefits, too.

So overall, while the yields are stable on a year-on-year basis, quarter-on-quarter, we did see a small depletion in the heads. This is attributable to these reasons.

From a profitability perspective, I think we said last time, there were questions on whether this is the bottom in terms of the margins and the commentary that we have consistently given was if the assets start to kind of recover a little, then we will see the margin improvements, which is what we have seen in the current quarter.

From an operating EBITDA perspective, we are -- it is an IndAS number. We are at 43.8% ahead of 6.1 crores 43.8 percentage, which compared to the 41.1% that we had in the last -- the sequential quarter, which is that we are up 8.2% quarter-on-quarter. And on a year-on-year basis, it's almost flat at 0.3% up. The margin was 6.5%. And from a PBT perspective, we are at 38.9%, again, which is up 11.4% quarter-on-quarter. There was some other income that we received as in terms of interest on income tax, etcetera, that's why there is a difference between the operating EBITDA growth and the PBT growth.

But on a sustained basis, our operating EBITDA has been growing -- has grown at a percentage of 8.2% on a sequential basis and flat on a year-on-year basis. PAT track fee growth in PBT, which is up 11.4% quarter-on-quarter and almost flat year-on-year.

The thing to note here is that this includes the charges that we take. We have not yet slowed down on the investments that are required for the new businesses. You saw in the earlier commentary from Anuj the investments that are continuing to happen in MF Central has continued to happen in the products in AIF that's continuing to happen in CRA that continue to happen account aggregator and TSP. We have not slowed down any of those investments. Those continue to come and as per our guidance in the earlier quarters, the investments will continue for a quarter or two. While we are seeing very encouraging signs from the market in terms of account aggregator and TSP.

The actual substantial revenue flow is going to take a couple of quarters. But this is something that we have taken the cost in the books. We have actually taken the price impact. We have taken the, we have taken the other inflation of service that's happened in the current year. We've taken the technology hiring that's needed to be done to keep the platform and the new initiatives up and running. And on top of this, we have posted an operating EBITDA margin of 43.8%. And that's the way we look at the margins for the current quarter.

The profit numbers are also after considering the ESOP, which is the non-cash charge, which for the current quarter was around INR 6.5 crores. And the Board has declared an interim dividend of 8.5 per share and we ended the quarter with a cash and cash equivalent of around INR 446 crores. This is before the interim dividend that's been declared by the Board. So this then in summary is the financial highlights for the quarter. For the half year, again, I mean, we did, we have closed the half year with the revenue of INR 480 crores almost as opposed to INR 429 crores in the last half year. It is up 11%. From a PAT perspective and the operating EBITDA perspective, we are marginally ahead. Our operating EBITDA is INR 204 crores for the six months period and INR 138 crores for the for the six month period in terms of PAT.

So all in all, it's a quarter that I should say is characterized by the fact that our margins have started creeping up again. We continue to make investments and the investments are going to bear fruit a couple of quarters down the line. We are seeing exciting trends in terms of AIF, in terms of TSP AA and in terms of the insurance repository and all those revenue optionality, as you call it, would be probably the upside in the coming quarters.

With that, I hand over the call to Faizan. You can probably take it over and moderate the questions.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use the handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Reminder to the participants. Anyone who wishes to ask a question may press star and one at this time. The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Just firstly on the insurance repository business. Now if I look at the data that you have shared and in that sense, the revenues have been flattish on a sequential basis in spite of the fact that we've kind of doubled the accounts and the KYC has gone up. So what is the revenue model for the segment? And now once that there is a mandate from the regulator about converting all the possible insurance policies to EIA accounts, what would be the revenue potential for the industry?

Management:

Yes, Prayesh, I'll answer the question. So the number that you see in terms of the flattish number, quarter-on-quarter insurance has two components. One is the outsourcing business, which we have again put out several times in the past. It's not the focus area for us. It's more kind of an outsourcing business, labor arbitrage. We continue to have good relationships on that, but that's something that is kind of not the focus for us.

If you see purely from a digital revenue or from IR revenue, it has actually grown smartly. And the numbers that Anuj are not spoke about. The number of policy conversions that happened in this quarter, year-on-year basis is almost double in terms of this. So if you combine the two, you would see this difference. But on a standalone basis, insurance reported revenue has grown both quarter-on-quarter as well as year-on-year.

The business model for that is three fronts. One is the policy conversion, which we get paid for every policy that gets converted into the demat form or electronic form. We get some AMC for the account that are maintained with this, which is policy. And we also get some minimum transaction charges. As you understand, the current architecture is that the number of transactions that happens would be minimal because it would be basically changing their master data, changing their phone number, address, etc., so currently the revenue from transactions is a little less because the scope for transacting in that portal asset stays today is less. But the bulk of the revenue is from the policy conversion. And this is just the beginning. So the eKYC is not yet operational and the KYC mandatory is not yet operational.

It's been postponed from November to January. And all of us are awaiting clarity from the regulator on how this demat is going to happen. So what Anuj was mentioning is that in anticipation of that, because of the awareness, we have seen a spurt in the number of policies when the actual notification does happen. And IRDAI is in very close touch with the various insurance repositories, including CAMS, on the preparedness for those in terms of the infra requirements, in terms of the handling the customer requirements, etc. So once that gets final, then we will see the real action coming in the space. What we are seeing is the initial spurt in volumes because of the wide reporting in the news and people being more aware of this requirement or this possibility of demating policies. So the short answer is that, yes, we are seeing uptick in insurance repository, but the action will start once the regulator steps in and gives us notification.

Management:

I'll just add a little to that. So when you think of the business, think of it this way that there is a mass of almost INR 30 crores-plus life insurance policies out there And INR 20 crores-plus general insurance policies. As and when this becomes mandatory, all of that will become the purview of insurance and all of those will be digital policies. When we say the number of policies doubled, it's more localized quarter-to-quarter metrics. So think of it this way and that is new policy additions in CAMS and I'm just throwing a number for just say one lakh in a quarter in 1Q, that number has become two lakh in the quarter. Why did it become two lakh from one lakh? Why did it double?

Because consumers are reading reports that some of this will become compulsory. They will come to the website, tinker a little and perhaps go and open an account and start linking policies. So that's very preliminary action which has happened. The real mass hasn't happened yet because that will happen in two parts. One, new issuance of policies initially will become and that's our understanding, will become mandatorily digital, which means it will have to be issued in digital. And the second is that the past period mass of paper policies, which are undergoing either undergoing renewal every year or premiums being paid, payable become digital in the second part of this implementation. That's going to take time. I mean, that will only happen when this statute gets announced. Those specific dates are not announced yet.

Prayesh Jain:

That's helpful. Second, can you continue on the insurance repository, the transactions that earns, is something like a premium payment reminder or say a premium payment that comes through

a loan against a policy? Or all these transactions will also be charged or these all are still under discussion and will take time to get a clear picture on this?

Management:

So I'll answer it in two ways. First, with the loan against the assignment that we spoke about, that's the Sandbox that was mentioned earlier. So that has been IRDAI has permitted us to do the Sandbox and we have tied-up with one insurance company and one financial and improve the concept in the Sandbox. It is going to be commercially exploited. So that will start very soon. So that doesn't have to wait for the larger question of transactions being broadened. So that's going to start pretty soon probably from next quarter, where we'll have a commercial model and the financials will pay something, insurance company will pay something and that will happen.

The second part in terms of the premium collection, the reminders, the claims, etc., that's a broader reengineering of the platform that's underway. And once that happens, the scope of the transaction revenue will increase many fold. And that was what I was alluding to when I said that the scope now is currently limited to changing your information on master data, on address, name, etcetera. So once the platform becomes a policy servicing platform, which is expected within the next couple of quarters, for sure, then the scope for transaction revenue will be much higher than what it is now, which is all the components that you spoke about in terms of policy collection and routing it through a payment we have doing a claims, policy statement, etc..

Prayesh Jain:

All right. Thanks. That's helpful. And then lastly on alternates, what would be a market share currently and how do you see this business seeing its 32% Y-o-Y growth you've seen this quarter, Do you see this sustaining or even getting better from here on?

Management:

So overall from a market perspective, if you see the food chain and the number of alternate alternative funds registering with the regulator. That is where the whole activity starts. I'm sorry. If you see in the last two quarters that number has grown phenomenally over the past year. That's point number one. Point number two, we have seen expanded consumption from clients in the base, so clients from the base are expanding new schemes and bringing in new investors. And that is one of the ways of growing, and the other is both CAMS WealthServe and RTA servicing have won a number of new logos.

So this 32% growth obviously has been a very sustained number, which has come in. We are expecting this growth trend to continue. I will not comment on specific numbers. We will continue updating you quarter-on-quarter, but I would say that we are seeing the momentum will continue of the outsourced part, which is the fraction of the market that outsources. Unlike mutual funds, everybody does not outsource. We are upwards of 50% of the market. So we are holding a dominant share and we're expecting with the offerings that we have. And now with the addition of Fintuple to the overall set of offerings, we are expecting the share to continue sustaining and growing.

Moderator:

Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, we would request you to rejoin the question queue. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal:

Sir, firstly, I mean, on the negotiations with the AMC, right? So where are we in terms of negotiations on the pricing side, if you can give some color given the kind of yield compression, all these AMCs are facing. So where are the negotiations with the RDAs if they talk about that a bit? And the second one was on – opex, so if you can quantify the investments? So out of the INR 27-odd crores, what are the investments which we are making in the new businesses? And part of which will sort of stabilize after two quarters to get a better sense of the long-term normalized number?

Management:

Yes, sure. On the price negotiations with customers as with our agencies, -- this is something that will happen periodically. So the good part is a lot of these contracts have been signed up in the beginning of this year. For one, two years -- none of it is one year, it's actually two or three years depending on which AMC it is. So barring one, all the major contracts with the AMCs have been signed and the results that you see is the -- contains the result of the negotiations and what commercial outcome of those discussions were.

So this is an ongoing thing. So there is nothing that I can specifically kind of say is it's going to happen in the next six months or one year, whenever the contract falls due again -- but the only comfort I can give us in the terms of the major customers barring one, all those things have been concluded and do not -- are not expected to come up in the next two years, right?

And in terms of the question on investments. So we have been a little bit conservative on that. So for example, the investments that we make on the account aggregator, TSP, etc., and a lot of the marketing and sales-related expenses, the people that we get on the roles for CR, etcetera, are actually part of the opex, as you mentioned. What I would look at it is not from the perspective of those costs actually going on because we would kind of retain the development cost on the books, because to add additional features to ensure that this platform stabilizes, etc., so while on an approximate basis, I can tell you the total money we spend from opex perceptive will be between INR 3 crores to INR 4.5 crores in a given quarter on these expenses.

I would rather put it this way, that once the revenue starts flowing, here should be commensurate revenue for this. Would I see a huge decrease in these expenses? I think we would rather wait for the platforms to stipulate to include more features in that to enhance them, to cater to the market, etc.. And we would not be in a hurry to unwind all the investments that we are doing in the platform development. There will be some rationalization that happens. Yes, after going ahead, there will be something, but we are looking at more from the revenue kick in that will happen a few quarters down the line.

Sahej Mittal:

And maybe on the -- one follow-up on the first question. So I'll maybe reframe my question. So in the last three or six months in terms of negotiations, which you did with the AMCs, if you can directionally highlight there was any downward revision in the pricing with any of the AMCs not quantifying, but just directionally also would give us some sense?

Management:

We've seen both -- we have seen both. We have seen contracts that have been rolled over. We've seen contracts that have had a small downward revision price. That's more to do with the volume growth and various other factors in terms of that particular dynamics with that AMC. But as a

broad industry trend, we have also seen a lot of rates being rolled over and no reduction happening also. So both we have seen

Sahej Mittal: Right. And one follow-up on the one data keeping question was on the ESOP expense. So what is the quarterly run rate which we should assume? I mean, last quarter, it was INR 9.5 crores. This time, it is like INR 6.5 crore. So going forward for the balance of FY '23 and for FY '24 would give us some numbers.

Management: Yes. I clarified it last time. So you're right. The way we have to amortize as per accounting standard is the end of the annual of the option (suddenly the cost amortization will come down. That's how the standards require us to amortize the cost -- just to give you a guidance for the year, we expected the cost, and we expect the cost to be around INR 27.9 crores okay? And what we have taken to the P&L in the first two quarters have been, I think, INR 16.1 crores plus or minus a few lakhs.

So I think INR 16.1 crores. So the balance -- you would see a lesser charge-off on ESOP for the around INR 11.5 crores, INR 11.6 crores for the remaining two quarters. It won't be the same number each quarter, but this is a number that we could work with because at INR 11.5 crores to INR 11.7 crores charge for the remaining half of the year.

Sahej Mittal: And FY '24?

Management: Sorry, the remaining 6 months.

Sahej Mittal: For FY '24 and FY '25?

Management: Sorry, for FY -- for next year, FY '24, the total expense, and we'll have to wait and see what is the additional grant that happens. So I'll give you that caveat. The next year, the expenses should be around INR 14 crores.

Moderator: Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: A broad question. I mean, the way you are just stepping up, there are so many sort of business areas like a starting or mutual on now the opportunity on the insurance side on the alternate side, account aggregators, I mean there are many quite sustainable. Now there are two sort of I would say forces that play. I mean of course there is massive volume growth opportunity in each of the areas. But this volume growth escalating comes a price competition cell or kind of being a B2B business comes the pricing pressure (46.20) I mean, if we were to a summit because of liar just emerging. How do you see -- I mean, your top line net revenue growth over the next couple of years?

Management: So let me start with AIF first, where we are seeing because it is a complex suite of services run over a platform. Prices are largely holding. Do remember that each of the markets that I'm going to speak about, none of them is a 2-player market. There are 4 players, 5 players and basically multi-participant markets, unlike mutual farms. But in AIF, we are finding that price is holding,

which means we are not seeing too much of price attrition because of competitive pressures, yet, we will have to see because there are five or six players that participate how that turns out.

In this quarter, you saw that we have spoken about a 30% year-on-year growth. Now of course, the base isn't that large yet, although it represents 50% of the market outsource share the basis in that tranche. As the base expands, I would say any revenue growth between 20% to 25% will be a creditable growth.

So for both this year and next year, if we are able to accomplish that number, I think we will be happy and to be able to hold the price line, so that's on AIF. On insurance, you know that it's a license market, but there are four licensees and it is reasonable to expect some degree of price competition as competition has already happened in that industry. If you see in comparison to any other dematerialize holding.

I would say the prices are comparable even lower than the -- so as the market expands, although the amount of investment each player has to make is humongous. And the quality of service will come under test because right now, it's not been a core player, not everybody, not every consumer has an insurance account, there will be a time when everyone has and the pressure of performance will mount.

We expect that there could be some price attrition from this level. may not be very large, but a 10% to 20% attrition may happen. But we are confident of turning in a reasonable profitability at those prices.

But you're right, both in AIF and in insurance. It's a set of players who are participating. And if we continue to do value-based competition rather than price-based competition, it is obviously accretive to everyone, including to the marketplace. Account aggregator and TSP, although, again, there are name players and it's a license market, we are seeing some degree of, I would say, irrational pricing. Is it going to last for a long time, we don't know.

We are up against a set of players we have not encountered in the past. So we are trying to figure out their behaviors, etcetera. CAMS has always been a value player, which means we don't try to enter a market at 0-or near zero pricing and then try to expand share and then think of price increases.

That's a very arduous cycle to be a part of. But then there are players who will always believe in those things. So that is one market, I would say, the account aggregator market, which is seeing some degree of international pricing. We will continue to keep you guys updated on how that pans up.

Avinash Singh:

I was to sort of you were to just put the things together. And of course, your core large-party mutual fund what kind of a revenue growth expectation do you have for the second half of this year and next year? Overall console revenue.

Ram Charan:

This is are you asking for the company as a whole?

Avinash Singh: Yes. So my question is, I mean, in this backdrop of quite detail, exclusion of segments or what sort of form of consolidated business revenue growth for the company as a whole you see for the second half this year and next?

Management: So, you know, while we generally don't give specific guidance on revenue numbers. Yes, we have given around 400-480 crores in the first half of this year (51.00) So what we would say is this the new business revenue, whether it repository or an account aggregator would probably not kick in, in a large extent by this by the next quarter or two. So that it's more kind of a FY'24 story because of regulatory reasons for insurance repository as well as you know, the market being what it is.

And we'll have to kind of further develop for the purpose of TSP very exciting stages. It will continue to grow. So we have always said that, you know, the 90% of our revenue is the mutual fund revenue. So it will be guided by what happens from an asset growth perspective. And we should be confident of mirroring to a large extent, if not 100%, the growth in assets that we expect for the next six months as the top line growth. I think that's where we will leave it.

Moderator: It just the thing is that answer your question. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: Yeah. Good morning Sir, and thanks for the opportunity. My question was regarding the cost to that You said considering that we are already spent on the AIF as well as the PMS platform as well as the platform that you pointed to the insurance thing. Also, some of these costs would be lower. So in many ways, could we understand that the quarterly cost that we are seeing in Q2 is broadly should remain at this level in going ahead, which means that Q1 was kind of a bottom margin. And if that is the case, would we be able to kind of think of a margin more like around forty five mid-forties going ahead? That is my question.

Management: So Ansuman, broadly, I would agree with you that, you know, Quarter one was probably you know, we saw the salary cost coming in, in terms of the increases we had to give given the job market and the tech resources. Let me put it this way that we are not on a hiring spree. It's not as if we are going to keep adding rather other than technology resources.

Investments we make in security and infra. It's not going to be a huge investment that we are going to incrementally do on other things. So I think the cost will be pretty stable at least for the next couple of quarters. Again, the April cycle, we'll have to see. But you know for the next couple of quarters, we expect the cost to be reasonably stable. That's not to say it's going to be the same number, but it's going to be reasonably stable.

And from a margin perspective, well, I know the common refrain has been the operating leverage playing out and that's been your view too. So we'll have to wait and see while we are comfortable with where we are in terms of margin. Now whether it will go beyond 45 is something that we'll have to wait and see. But as we continue to guide, we will be in the early forties in a reasonable quarter. I think we'll continue to hit that number. The upside could come when the new

businesses start to start giving substantial revenue going forward, but that's probably a couple of quarters away.

Ansuman Deb: Right. And last question from my side is on the, you know, possible start in terms of revenue in revenue optionalities. You were mentioning about the AIF(54.40) and now it has been shaping up well. So now if I were to look at the main sources of revenues, it would be, AIF, TSP and the FY'24 and the Insurance repository these three, would you put it as the top three kind of possible revenue sources?

Management: Yes. Absolutely. We'll put, there was the first three and maybe although I think that list is a good enough list in terms of order because AIF is largely assigned the business which yields revenue with about two months to three months lag is easier to predict. So should remain at the top. Insurance, depending upon how fast the regulatory guidelines come in with specific dates, because right now it's a statement of intent.

The firm dates have to be announced, but as and when that gets announced, there will be a scramble to meet them. And like we said, because consumers are anyway savvy on digital management of the investments, we don't see too much reluctance coming in from investors to open their e-insurance account. So that could be number two. And then with all the momentum that we are seeing on the account aggregator side, I would stack them as one, two or three in that order. But you are certainly you've got the order right

Ansuman Deb: And there is a positive surprise in CAMS space. The payment things and what is driving that growth in? Is it purely number of transactions or anything?

Management: Yes, it is on the number of transactions and the ACH continues to be very stable and continues to get the major market share from mutual(56.40) perspective. We also seen some uptick from our digital perspective, which is your non-ACH in terms of as we said, the UPI AutoPay has been launched, although it's in a small way. We also have the net banking, we have the debit, we have the IMPS verification in because of the regulatory changes. So the ACH remains stable, kind of being the major share from a perspective that digital revenue has come up in the last quarter and that's the positive surprise that you're seeing.

Moderator: Thank you. Mr. Dev, we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Sagar Gandhi from Future General Life Insurance. Please go ahead.

Sagar Gandhi: Yes. Good morning. So my question is, while you've highlighted that alternative's Insurance and AA will be your top fine and top businesses in your new segment, does that also remain the order of when I ask you something like this, which business will clock INR 20 crores of EBITDA first? So we will it – will the order of remain the same or will the order change.

Management: Well, without making too much of a forward-looking statement. I think INR 20 crores EBITDA, it has to be a result of and again I'm talking in a very approximate manner of INR 40 crores or INR 50 crores revenue. The way things are looking right now just in terms of current size, of

course, it's tough to predict future size in terms of who'll get, get there first. Alternatives looks like will be the first to get there. I'm sure the other business that would like to prove me wrong, but that is the way I would look at it right now.

Sagar Gandhi:

And this will be followed by insurance. And then a broadly in your estimate, it may not have been better, but that is how we are.

Management:

Yes, I think the only difference, I would say, between insurance and AA today is that if the regulatory guidelines state a reasonably aggressive date for the market behavior to change, then consumers react very quickly and the options they have go away. While in the case of account aggregator for consumers to react, the first part is already done, which means everybody is linked, at least in banking, all the banks and SIPs. But for active change to happen at the consumer level, and consumer is not just the individual consumer. I'm talking of the FIU, the Financial Information User. That may still take a bit of cycle times. I mean, that is the way we will think about it right now and we will continue updating you as the whole thing unfolds itself.

Moderator:

Thank you. The next question is from the line of Punit Kumar from Reliable Investments. Please go ahead.

Punit Kumar:

Good morning, sir. My name is Puneet. I'm calling from Delhi. I would like this question to be answered by Mr. Ramcharan. I'm looking for basically I'm seeing the two sides of the company. I would like which side I should look at. Because there is the investor presentation, so many Indian, so many companies which create future. That is one thing. Second part of the first side is Mr. Anuj presenting some lakhs of crores plus some lakhs crores, billions of transaction added, etc.. These are the positive sides.

The negative side I see in the consolidated P&L is sales have increased from INR 231 crores to INR 249 crores, which means that we have added INR 18 crores and we have added INR 21.5 crores for the receivables. So it's sales actually minus INR 3 crores. And if I see the bottom line, So which side should I look? How is the company doing? I cannot understand. And I'm confused. Thank you so much.

Management:

So I'll try to clarify. I'm sorry, something caused the confusion to you. So the only numbers that are relevant is obviously the consolidated numbers. And those numbers are uploaded in my in the SEBI website as well as in the exchange. And the earnings presentation has the same numbers. So just as a summary, the sales have gone up by 6.3% year-on-year and 2.4% quarter-on-quarter. That is the INR 242 crores numbers that you see, which is attributable to the increase in the assets under management by the similar number.

There is no confusion on that and you don't have to worry about subsidiaries separately because barring one, which is a very small component, remaining things are 100% subsidiaries. Their subsidiaries are more from a regulatory perspective because IRDAI will require a separate company for account aggregator and then other things like that, and SEBI for KYC. So for our purposes, all of these are 100% subsidiaries. They are done only for regulatory reasons.

There is no minority interest barring one. So you should look only at the consolidated numbers, which is the number that we have, which we have uploaded in the website, as well as the number that you see in the earnings presentation.

So the INR 242 crores is the increase that you have seen, the asset based revenue increase you have seen, the sequential growth in profit has been 8% on EBITDA perspective and 11% from a PBT perspective. These are the same numbers that you will see in all the presentations, and from a PBT perspective, you've seen 11% growth quarter-on-quarter and stable year-on-year. That's the INR 197 crores, that is the 97 crores number that you will see. And from a PAT perspective, you'll see a number of INR 72.14 crores. That is the number you will see from a consol perspective, as well as what you will see from the earnings presentation.

So the numbers that we spoke about are all consolidated numbers. There is a single number that you see as an investor. If you if you feel that some of it is confusion, we will take the feedback and kind of address it to you separately. But you don't have to worry about the subsidiaries. You don't have a worry about every other filing. You see consolidated number that we filed with the exchange as well as with the earnings presentation that is relevant for this.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. Should you have any further questions, please reach out to Anish Sawlani at Shareholder Relations at camsonline.com. I would now like to hand the conference over to Mr. Ramcharan, Chief Financial Officer, for closing comments.

Ramcharan SR:

Thanks. On behalf of the CAMS management, I would like to thank the participants for their continued interest in CAMS. And for any further questions, please feel free to contact IR, Orient Capital or Anish Sawlani, the coordinates that mentioned in our presentation. Once again, thank you for your participation and continue to please follow CAMS and please get back to us in terms of any questions. Thank you all very much.

Moderator:

Ladies and gentlemen, on behalf of Computer Age Management Services Limited that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.