



“Computer Age Management Services Q2 & H1 FY22
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Computer Age Management Services Q2 & H1 FY22 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, expectations of the company as on the date of this call. These statements are not the 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. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Kumar -- Managing Director, Computer Age Management Services. Thank you and over to you, sir.

Anuj Kumar: Thank you, Aman and good afternoon everyone. Thanks for making the time to participate on this Earnings Call of CAMS. I will begin by giving you a brief overview of the business highlights of the quarter that has just gone by and I'm sure most of you would have seen our results in the filings that were made yesterday.

Overall, the second quarter was marked by several operational highs that we encountered in our business. We saw strong signs of...I'm talking about the mutual fund industry right now which is the core business revenue that we report, we saw strong signs of engagement of consumers with mutual funds of the product and strong and vigorous activity across the board and various facets of the business that the AMCs do. Overall, we saw a historic high in transactions; you would have seen a number of 102.5 million, over 10 crores overall transactions that we did in the second quarter. This was almost 17% higher than what we saw in the first quarter of the year. So sequential quarter, absolute number of transactions was about 17% or 87.5 million, going up to 102.5 million.

We also saw a very strong SIP registration metric. As you know that this is a good indicator of retail participation in the marketplace; Gross number of 44 lakhs new SIPs were registered on behalf of our clients during the quarter, the corresponding number for the first quarter was 28 lakhs. So that's a significant expansion, again a good consumer engagement metric.

We saw several large NFOs and these new fund offerings are made from time-to-time by mutual fund houses to introduce a new product or in a new asset category. Almost 30,000 crores of assets plus and this is a landmark number because it's not happened for many years, this kind of money collection. CAMS service AMCs did large NFOs and collected over 30,000 crores of assets, mostly in the equity arena in this period.

We were speaking to you about the Franklin Templeton transition. This transition has been very complex with various set of activities which lasted over a year and then came together in the month of July. We brought both the employees of the business over from 19th of July and since then it is being run as a regular contract we delivered. All the business reporting including the revenue and profit figures are therefore inclusive for the proportionate part of the quarter for the second quarter for the Franklin contract.

From a digital perspective, our website serviced over 20 lakh visitors every month during the second quarter. This was over 100% up quarter-on-quarter. “myCAMS” app which you know is a very popular investor app for mutual fund transactions added over a new lakh investors every month. So for the first time ever, over one crore log in in the month of September which is again indicative of how well consumers are monitoring their portfolios that are transacting through us.

And then you all read about MF Central which is the utility which was put together at the specific behest of regulatory guidance and both together, this went live in the month of September, saw upwards of 75,000 registrations. These are basically investors who are trying to look at a combined portfolio across all mutual funds in India not just CAMS service funds. And then from a non-financial transaction perspective like changing a bank or adding a nominee, they are able to do all of these transactions again across our mutual funds in India. It's a unique proposition which just went to market in September and we're seeing good traction initially. So those were key highlights in terms of operating numbers and digital products that we run for our client.

Outside of mutual funds, are NPS CRA business is ready for a soft launch at the end of this quarter and a regular market launch in the month of January. The build-out for that is in progress and every activity relating to housing will onboard customers, commencement of the NPS business, etc., is being undertaken. So that's in good shape.

On the other initiative which is account aggregator you have seen a lot of activity both in the media and outside in terms of coverage, articles, use cases and B2B participation which we have seen. This is run in a subsidiary called CAMS FinServ which is the account aggregator. We also over the last two, three quarters seen that there is a strong demand for a technology service provider in the small corporate consumer space. People who don't want to invest a lot of money in building out their own interfaces and integration capabilities and ability to create constant architecture, etc., So two offerings therefore; there is a TSP offering and there is an account aggregator offering, both B2B. They are active in the market with same interest. Like we have said that we are expected to see revenues this year. We have some signed contracts now. So it's a good beginning. However from a revenue aggregation perspective and supporting anything which is meaningful on the financial results side, it's probably still a couple of quarters away.

We are also now ready to go live with our activities in the GIFT City. This office we may have shared with you. We had applied for permission in July, August. And the office is now ready. We have signed up a couple of clients and we're expecting that as more of our clients and this is not about billing these new customers, we will of course do that, but within a base of almost 100 unique AIF business how the people assume, some of them are applying to the regulator for setting up funds which will operate out of the GIFT City. So the initial two clients and we are expecting more signings and commercial operations will go live at the same time.

On the AIF PMS side, we reported and shared with you that went on live with CAMS FinServ which is a digital onboarding platform for our PMS consumers with electronic onboarding platform. We by now signed up seven consumers of this, several PMS houses; we are now

broadening out to AIF. So, we have good response from the marketplace initially. It is more a product extension but in the case of digital, no paper kind of onboarding of the consumer, it's a strong engagement too. I'm happy to share with you that we now have several signings and more to come as we continue pushing the quest to position this product across the marketplace and sell it in a very positive way.

Overall from the mutual fund industry and I'll talk about assets, these are public figures you've seen most of these either through what comes out of the website and through their media releases, etc., but I will go through this. It has been a very strong quarter overall for the industry and for us. As far as assets are concerned, equity assets both. You know that equity assets had the kind of languished for a period in an era which ran for almost four successive quarters where there was no positive accretion in terms of net sales being positive for equity. That has now been broken. Overall industry AUM at 36.2 trillion or 36 lakh crores plus which grew by almost 31% year-on-year, 9% quarter-on-quarter. So, very strong overall growth. And within this when you see equity assets for the industry, we are seeing the growth rate of overall asset growth, so 47%-plus on equity year-on-year growth, this is overall industry, this is not CAMS and just short of 15% quarter-on-quarter growth. When you see CAMS growth, again, very-very significant and in line overall with industry, 31%-plus year-on-year. Overall asset growth or asset blended is about 25.5 trillion, the highest ever that we have seen and quarter-on-quarter double digit growth of 10.7%. And similarly equity is far ahead of overall assets of 53.5% year-on-year and then quarter-to-quarter, sequential quarter is just under 20% at 19.8%. We retained the market share at 70%. All of these numbers of course include the Franklin assets that came in. So they got counted during the quarter but overall a very strong growth for the industry and for us both from a year-on-year and a quarter-on-quarter perspective across all asset classes but particularly in equity which kind of is much ahead even the aggregate industry across our asset classes.

Net inflows in the equity assets, like I said that was a very muted metric for almost four quarters running all of FY'21, continues to be the net positive during the quarter. Gross inflows through SIPs which is considered a very stable source of net accretion in the industry because this money continues to come and it's based on standing instructions that clients and PMS don't look at it every month, grew 16% quarter-on-quarter, the overall growth of course was driven largely by the momentum in equity assets both through sales and through mark-to-market.

I will sum up the operating metrics. Like I said the transaction volumes are over 10 crores or 102.5 million up almost 29% year-on-year but on a quarter perspective sequential quarter is 17% up. Our overall SIP book, this is the active number of SIPs that we run mostly every month, you can think of this as about 95%, 96% monthly frequency of about 25.9 million so over 2.5 crores, very similar to the transaction growth, grew 28% on a quarterly basis.

Systematic transactions grew and this is almost mirrors the growth in the SIP book, 21% year-on-year, about 19% on a quarterly basis. Investment portfolio is at 4.67 crores, about 46 million plus, again steady growth of 12% quarter-on-quarter, 17% annually.

And when the respective CAMS service fund saw very strong quarter on new unique investors, again, this is a very important metric for the industry because this shows the number of new consumers which are engaging either do-it-yourself mandate or having sold the product but either way he will be continually interested, this unique investor count has now expanded to about 184 lakh so 1.84 crore, 14% up year-on-year, about 8% quarter-on-quarter.

So across core metrics if you see aggregate number of transactions, SIP transactions, SIP collection, new folios created, unique investors serviced as well as a trend that you saw on the sales side, I think perhaps one of the best quarters in recent times that went red with new fund offerings and their collections and the grass-root based time I think has kind of been a foundational step in creating metrics that all of us still use for operating and financial metrics. So a very satisfied quarter for the industry and because we are very closely linked with the nationwide industrial fortunes it satisfies us more.

I will hand over to Ram Charan to talk a little bit about the financial numbers. Ram, over to you.

Ram C Sesharaman:

Thanks, Anuj. So I will just go over the financial numbers in terms of the revenue, the asset mix as well as the profit numbers. From a revenue perspective, the current quarter which is Q2 of FY'22 we clocked a revenue of Rs.247.5 crores which was up 33% year-on-year and 13% quarter-on-quarter. The comparable numbers for Q4 FY'21 was Rs.171 crores and for Q1 of FY'22 was Rs.201 crores, so that's a 33% increase year-on-year and 13% increase quarter-on-quarter in revenue.

The mutual fund revenue which is the bulk of the revenue was Rs.205 crores for the quarter which was up 34% over the same quarter last year and 13% over the sequential quarter. We generally break up the revenue into three components; one is the asset based revenue for MF, other is the non-asset-based revenue for MF and the third is the non-MF revenue. On the asset-based revenue, again, it was a growth of 32.5 % compared to the Q2 of last year which was Rs.173 crores for the current quarter as opposed to Rs.131 crores. The sequential quarter number was Rs.155 crores, so we were up 11% sequentially also in asset-based revenue. The asset-based revenue is mainly the bps based billing that we do to our customers based on the average assets under management. This track the increase in the AUM-2 which was up on the similar percentages quarter-on-quarter as well as year-on-year.

On the non-asset-based revenue there was some uptick in the current quarter. If you recollect the earlier quarters we had said the transaction revenue was muted given the pandemic situation and the localized lockdown that was happening at various places but the paper transaction revenue to be precise actually did come back smartly in the current quarter. So the non-asset based revenue was up 42% year-on-year, the number is Rs.32 crores for the current quarter as opposed to Rs.22.5 crores for the same quarter last year. Sequentially the non-asset-based revenue was up 26%, again it's a reflection mainly of the increase in the transaction revenue because paper transactions came back and activity came back to our front offices.

On the non-MF revenue this is basically our AIF Payments business repository, we have a software company as well as some amount of KRA revenue, so this was up 24% year-on-year, the number was Rs.22 crores for the current quarter as opposed to Rs.17.6 crores for the same quarter last year and sequentially it was up 11%, the number for the preceding quarter was Rs.19.79 crores. This was again on the back of some growth we saw in the AIF business, some recovery that happened in the transaction-based outsourcing business in insurance as well as some increases in the CAMS KRA and the CAMS Payment business. So, this is a snapshot of our revenue panned out in the current quarter.

I just take a couple of minutes from a profitability perspective. So the operating EBITDA for the quarter was at 99.86 crores. Just to clarify this 99.86 crores EBITDA is calculated as of the rent is taken as an expense and not capitalization of either, if you actually took the lease as capitalized, then the operating EBITDA will be higher than this. 44% is the operating EBITDA. If you go on the non-IND AS 116 basis, on the IND AS 116 it was up 46.5%. The corresponding number for the last quarter sequential was Rs.87 crores and for the Q2 of FY'21 was Rs.68 crores. So that's an increase of 47% of EBITDA year-on-year and 15% almost quarter-on-quarter. On the PBT, we again increased the PBT to Rs.96.47 crores as opposed to Rs.66 crores in the same quarter last year, that's again up by around 46%. And the PAT was at Rs.72.56 crores which was 48% more than the Q2 FY'21 number of Rs.49 crores and sequentially also it was up 15% over the number of Rs.63.24 crores which was the number for Q1 FY'22.

So overall if you see the increase in sales, we have actually seen increase in EBITDA margins, smart growth in the EBITDA year-on-year as well as quarter-on-quarter and PBT and PAT also mirroring the same change. Our return on net worth was 50% which is a reflective of not only the increased profit that we clocked, but also there was some distribution of dividend in the last quarter.

Overall, the board was pleased to declare a second interim dividend of Rs.9.5 per share in its board meeting which will be disbursed in due course with 24th being the record date for the dividend.

And we ended the quarter with a cash and cash equivalent of around Rs.378 crores. This number does not include the amount we hold in the escrow account for our Payment business or stamp duty and is after the payment of the first interim dividend which was happened in August or September. So this is a snapshot of the financials.

In the presentation, I urge you to have a look at the trend analysis which we are given in terms of the revenue, operating EBITDA, PAT and PBT which all shows an increasing trend and there are also the numbers for the balance sheet and the prior year numbers in the earnings presentation. Please feel free to have a look at it and you can get back to us in case there are questions.

With this I hand it back to Aman the moderator to kind of open the floor for questions.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just a couple of questions from my side. Firstly, could you give some understanding now about your account aggregator and revenue models wherein how do you earn revenues, what kind of cost would be there, what kind of possibility would be there in this business now that we are quite close to implementing the same? Secondly, the employee cost have gone up. Any one-off sitting there with regards to FT acquisition? And in fact with regards to FT really commendable job that you had mentioned that the business would take some time to breakeven to come true in the EBITDA margin. So is the fact that the business is turning profitable from Q1 itself or could you just throw some light around that?

Anuj Kumar: So let me talk about the current aggregator first. See, initially when the market kind of started getting built almost five quarters back, most of the assumption was that there is a pipe through which consents travel and then data travels back from the financial information provided to the user which is the account aggregator business and that business will charge the user on a per pull basis as mini statements get pulled in that fashion. Over a period of time, what has become clear is that there is also a technology service provider part of the business. That technology service provider is largely meant for medium and small users who find it difficult to have captive technology capabilities to build out the consent architecture and integration capabilities. So, it looks like the business has these two streams which will fetch revenue. The TSP part and the account aggregator part and both of these are a B2B sell for us. So over a period of time, the account aggregator will sign up contracts with the financial information users and charge them on a per pull basis. The TSP entity will sign contracts with both financial information users and providers and will largely charge on annual maintenance contract kind of basis; there could be some charge on per pull basis also. So those are the two revenue streams. Difficult to say what the partition will be, but looks like TSP will be a larger share of the market than account aggregator. Account aggregator by itself may be a slightly undifferentiated service. That is how it is supposed to build out over a period of time as lending, non-lending, capital markets, insurance all kinds of entities join in. There could be several hundred entities tied up to this entire overall set of platform. So that's how this will pan out. While we have contracts which are under implementation right now, it needs very intense selling over a period of time to acquire a substantial enough number and then billing, etc., will commence in some time, but that's really the overall business model.

Prayesh Jain: There's some more granularity if you could share as to what are the kind of per pull charges that can be levied and also on this TSP thing whether our medium enterprises getting what kind of long-term **(Inaudible) 24:56** to improve? And on the cost front, how will this shape up with regards to your existing cost structure?

Anuj Kumar: I'll give you some very broad indicators. You can think of it this way that account aggregators single pull depending upon what are the unit economics for a particular relationship, could cost anything between Rs.5 to Rs.15. Take them as indicative numbers not precise numbers, but that

is how the whole thing will pan out. And this will be a very large number of units which will get used but per unit that is approximately the range in which this will get priced. Small size TSP contract on an annual billing basis may build between Rs.5 lakhs to Rs.10 lakhs. Larger one will build between Rs.10 lakhs to Rs.15 lakhs. So to create any meaningful revenue base, one needs to have maybe about 100 TSP clients, at which size it will start looking meaningful. Account aggregator pulls is a number which will scale significantly. It could be like digital payments, UPI transactions. I mean, you read about all the stuff that the market is talking about. Anything that we say right now is like speculation because nothing much has begun in the market. It's early adoption. But from a scale and per unit revenue perspective think of those as the numbers.

Ram C Sesharaman:

From a cost front perspective the main cost that we will incur will be the development of the platform as well as encryption, decryption layers. So if you think about like building out any other platform which is the software development cost the developers that they use for that that will be the major cost that we have and the cloud hosting cost. So it's not going to be as substantial as what we spent for a AIF or MF platform but that's about it. You should be able to estimate that in terms of building out a platform, that's it. To your other question, yes, from an employee cost perspective, there is no one-off cost but this was the quarter in which the FT employees got re-batched. So you would see an incremental cost coming into the quarter because of the FT employees. Obviously, corresponding revenue is there but from a standalone employee cost perspective, the FT employee cost is flowing into the P&L this time and this actually flows in from the month of July. So it's almost there for the entire quarter barring a few days. There is although not one-off, there is the non-cash charge of ESOP. That was a plan that was approved by the shareholders in July. So non-cash charge of ESOP that goes into the books. So that's also part of the current quarter employee cost. The ESOP cost for the quarter would be around Rs.6 crores, so that's a non-cash charge that goes into the books. So these are the two components that I could specifically call out although not one-time. From a FT perspective, your question was regarding profitability. Yes I think the migration has been done successfully in business as usual although there will be some teething problems. We will wait for it to settle down from a financials perspective. Are they breaking even this quarter? They are not. But are they doing better than what we anticipated? Yes, they are. So we will wait and hold our projection that they will break even before end of year. It could be a few months earlier than that. That's what is our projection but we are very much on target or little better than target in terms of what we expected on the profitability perspective.

Moderator:

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

Kaushik Agarwal:

Sir, I have a couple of questions. Firstly, my question is on the yield part. So when we talk about the asset based revenue and as highlighted during the call this is basically charged on the AUM, but we are seeing lot of popularity on the passive side and many of the clients which CAMS has come up with lot of passive schemes through the NFO route. So how are the yield trajectory for the company going forward and do we see any compression on the yield part for the company? Second question is on the NFO side. I want to understand the economics for the company like for the CAMS whenever any AMC come up with the NFO, so how does this benefit us in terms

of the top line? And my last question is on the myCAMS app, which as highlighted by Anuj sir during the initial remarks that new investors were onboarded. So I just wanted to understand are we playing some sort of a distributor role over here and are we earning some commission income also?

Anuj Kumar:

Let me talk about passive first. You're right, we have seen across the board in the marketplace over the last maybe four to five months. The set of products being launched on the index and ETF side. Just keep in mind that a lot of this activity is about placing the product on the shelf. From a consumption perspective if you see I'll take about 8% of our assets comprise ETFs if I just take the ETF category. And within that under 1% comprise retail ETFs. So while 8% of our overall assets comprise ETFs, that 8% is equal to 7% plus 1%, one is an exaggeration, it's a much smaller number of retail and then the balance 7% is institutional, most of which is EPFO money. So while from a product category, you're correct, everybody's trying to place the right product on the shelf, the product isn't selling as much as one would have thought. For passives, obviously, the yields are smaller; one, of course, the intensity of activity is lesser for us and that's really the core operating metric. But is that influencing yields or is that any meaningful force which is influencing the yields right now, the answer is no. The second thing is as far as NFOs are concerned, you know that category wise it is one scheme offering that is allowed. So a lot of the NFOs are around innovative categories. When they come up our job is to make sure that the lakhs of investors and some of these successful NFOs may get close to a quarter of a million or half a million investors coming in. All of them are onboarded accurately, all the initial setup activities are done, the accounts are managed and that investor successfully becomes our investor. We get about a total of 10 to 12 days to do that, but it's an intense two or three day period when all of this concludes 80%, 90% of the traffic is to be handled. Once onboarded, it is part of the AUM and the transaction architecture through which we charge. So it just becomes part of the base. For the coming in category, there are some revenue left; so one is of course the new transaction, the NFO transaction is chargeable for us; and secondly whenever it comes in there are a lot of new investors to mutual funds who have to go through a KYC process. So those are small amounts of revenue that come in, but other than that after the NFO is concluded, all of that is part of the base asset quantum and the base transaction count quantum and continues to be charged like that. Lastly, on myCAMS, as you know, we have steadfastly kept away from any form of advisory, recommendations and we absolutely don't do selling. Initially when myCAMS was designed it was supposed to work as just a digital investor service center. Over a period of time, it has got very smart tools and techniques which can tell you about your IRRs of holdings, your tax statements, grandfather taxes and those kind of things and gives a complete portfolio of view. But we do not sell, we do not recommend and therefore there is no distribution like activity not even a sliver of it and there is no revenue coming from any of that scope.

Kaushik Agarwal:

For the first half of this year, your asset-based revenue has grown by approximately 33%-odd. So, can you just tell about how much would be the cushion coming into this growth on account of this NFO which has happened during this last six months?

Anuj Kumar: I can give you a broad metric, but I don't know whether we can answer this question very precisely but I'll tell you this. All the NFOs as having come in the equity category. Again that's not a 100% accurate, but take it as a directional statement. And then take our equity basis about in the range of 10 to 11 lakh crores so this was about 3% expansion in equity assets; equity assets are about 60% of our asset revenue. So you can think of this as about 3% to 4% of the overall revenue expansion which means it was a meaningful contributor, you're talking over year-on-year metric but if you just took this 3% over the 33%, that tells you that they had a meaningful contribution of about one-tenth of the overall AUM led the expansion.

Moderator: The next question is from the line of Punit Kumar from Reliable. Please go ahead.

Punit Kumar: I have a broad level question that the fantastic number comes with top line of 22.9%. Second is the sign of efficiency which is the bottom line which has grown but lesser say 17.6%. And the third is future, from the depreciation because the kind of assets the company is investing which is 11.2%. So talking in isolation all the three numbers are good but efficiency seems to be lesser than the top line and the growth future looks to be slightly looking probably at financial angle. So I would like to have a word either from you or the CFO.

Ram C Sesharaman: Actually our margin expansion has been substantial, if you actually look from a quarter-on-quarter perspective or from a year-on-year perspective, we've actually grown PBT by almost 46% year-on-year and 14% quarter-on-quarter. So it's not as if the spend that we do is proportional to the revenue that we get. So if you see the revenue has grown by 13% quarter-on-quarter and the profits have grown by 13% quarter-on-quarter. So we are retaining the efficiencies of cost and so we do not see a depletion because of any inefficiency from a cost perspective. From a depreciation, we are an asset light business, our investment is more on information security, on storage, on servers, on computers and some amount of facilities related. So you will find that it's a smaller part of the entire cost equation and whatever creep up that happens in depreciation is because of the investment that we make in the IT infra to be in align with the regulatory requirements, for example, we are required to maintain a 2x computing and capacity. So we'll have to invest a lot of compute, storage and servers for that. But for that I think our profits have kept pace have done better than the growth in revenue over a period of the last few quarters and the trend seems to continue.

Punit Kumar: I was only talking with respect to last quarter and I am comparing year-on-year, not quarter-on-quarter which is only in the IT industry phenomena?

Ram C Sesharaman: Year-on-year our revenue grew by 33% and our profits actually grew by 45%. The quarterly statement which has been printed on the stock exchanges show it as 22.9 and 17.6.

Ram C Sesharaman: Probably you will have to look at the consolidated numbers. Standalone is a function of intercompany dividends and various other things that come in and it's a consolidation of 100% subsidiaries, so everything is within the same group, so there is no leakage as such. If you see the profit has actually grown by 46%.

- Moderator:** The next question is on the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** I wanted to know more about your “CAMS Pay”. What exactly is it and what are the revenue potentials going forward and when will it start generating revenue?
- Ram C Sesharaman:** So let me just clarify, “CAMS Pay” was incorporated as a subsidiary last year, but the payments business as such is very old, we've been doing it for more than a decade in CAMS, it's run as a SBU in CAMS. In fact we have a line share of the SIP processing for the mutual fund industry. So the CAMS Pay business is up and running. In fact it's one of the contributors to the non-MF business; it almost contributes 25% of the revenue for the non-MF revenue perspective. It's a profitable business which is running predominantly on the ACH platform now and got enabled for other digital things like IMPS, Net Banking, UPI in the last few quarters. We are very bullish on the prospects of that. But just to clarify, it's an existing business which is a profitable business, high EBITDA margins and currently run as a SBU in the parent company. Why we incorporated the subsidiary was to get a separate license and run it in the subsidiary but that's on hold as of now but the business is very much live and running in CAMS.
- Anuj Kumar:** Just think of it this way that subject to a specific guidance the subsidiary was created and the business was supposed to move there. That process is taking longer. So the subsidiary is capitalized, but doesn't have any revenue. The revenue of the payments business continues to be in CAMS. Over a period of time, as the licensing in the subsidiary gets sorted, business will move there and then all the financials will be reflected in the subsidiary financials.
- Nikhil Agrawal:** I wanted to understand your charges for equity funds. You charge 0.059% of the average assets under management. This 0.059% is the annual charge, right, which you charge on a quarterly basis.
- Ram C Sesharaman:** While not commenting on specific numbers for asset classes but the basis is yes, there is an average assets under management that we compute and this is charged on an annual basis, yes.
- Nikhil Agrawal:** The charges which are mentioned out there, these are annual charges which you charge on a quarterly or a monthly basis?
- Ram C Sesharaman:** We do a monthly billing, yes.
- Nikhil Agrawal:** Franklin Templeton assets, they have been completely integrated into your system. What are the total AUMs in Franklin Templeton?
- Ram C Sesharaman:** This is probably available in the public domain. The average assets under management would be a little less than 60,000 crores, most of it being equity, that's the number published for Franklin Templeton. Yes, it is fully integrated into CAMS back office.
- Moderator:** The next question is from the line of Devesh Agarwal from IIFL Capital. Please go ahead.

Devesh Agarwal: I don't know whether you shared these numbers but I wanted to know the number of FIUs and financial information providers that we have signed in the TSP business?

Anuj Kumar: So think of it this way that we have signed up several FIUs, that number would be in the range of about 20 to 25 odd for the TSP business. Also, we have signed contracts which are under implementation but like I said these are moderate revenue contract. So single contract will only produce moderate revenue and I had given you the range and it requires some intense selling over a period of time for us to build a significant revenue base. That's a process which is underway and will continue playing out maybe over the next six to eight quarters.

Devesh Agarwal: In terms of exclusivity of moat, would it be like an FIU coming on to our platform be exclusively working with us or vice versa where can we create that moat -- is it in terms of providers or the ultimately the individuals those will become the moat for the business?

Anuj Kumar: So there are two views that the industry is taking and again it will take time for this to pan out. So one of the obvious moats is on the TSP business. The TSP is one IT provider fully integrating with the user, whether that user is an FIU or FIP. And that's the moat because once you've integrated like you've seen in most software-based integrations it is just tough to rip that relationship. So that's an obvious moat, but that's more of the TSP business. Account aggregator every financial information user will probably sign up with more than one just to make sure that they have enough BCP and enough load balancing happening because sometimes this FIU will be integrated by the TSP and not by the user directly, the FIU by itself will be I think a low exit barrier kind of architecture which means the TSP is tightly integrated to the user, the user then integrated either to the TSP or the FIU, but everybody is using more than one, and that will be smaller. The third is which is not played out in the market but may play out that anybody who's able to position their consumer app widely. Think of a situation where somebody's got a few million downloads from the consumer app will then have a strong moat in terms of a consumer franchise because once that consumer franchise is available, a lot of users may come to that aggregator just for that consumer franchise. But it's early days for that to happen. That will probably play out over a longish period of time. So strong consumer franchise as manifest by a large number of downloads, TSP to an FIU kind of architecture will have significant moats and then the pure account aggregator will have a moderate exit barrier but not a very effective one. That's what it looks like right now.

Devesh Agarwal: In our other new NPS & CRA business, you said that we are ready for a launch somewhere in Jan, Feb. I understand that I think NSDL and KFin are already working there and you have also shared that the revenue base is Rs.170 crores for the segment. So I wanted to better understand the revenue model out here and how would we get our share -- is it on the incremental that there will be a share or even we can gain market share from the existing or incumbents?

Anuj Kumar: It's quite simple, unlike in the mutual fund market, here you get paid on almost a per consumer basis. So every consumer who signs up with you in e-NPS that will be almost a direct consumption by a consumer, so the consumer comes onto a CRA platform directly. For

corporates and government it will be through a POP, POP is basically a selling entity, a point of presence. And therefore that selling entity has first got to integrate with us before we get the first consumer. So POP is a bulk acquisition. NPS will be an individual acquisition and we will get paid on a per consumer basis. So that is how the revenue build out will happen. Today, amongst the two incumbents, one of the incumbents is much older and therefore occupies a disproportionate share of the market and share of revenue. As far as e-NPS will be concerned, I think the consumer will go to the best provider, the most friendly app, the easiest onboarding and exit process. So that will be a more democratic kind of a marketplace. For the corporate and government because every POP is now integrated with one of the two CRAs and one to many architectures are not very common because it's a tight coupling. We have to start finding out which of the POPs will be willing to come over to us either the ones who are getting registered new or the ones who are in the market already. So that's how the market will play out. Displacement in the corporate and government sector will be slightly tougher. NPS will be a democratic market which will look almost the same for every provider. Will not matter too much whether someone came 15-years back or five years back or coming in today.

Devesh Agarwal: But again that will be on the incremental, right? The ones who have already been with someone they may not switch over to a new CRA?

Anuj Kumar: They may not switch over, correct. What the regulator is trying to do is again make it democratic, make it portable, so you can move technically the consumer can express his intent to move from one CRA to another, but yes, you're right that's like porting which will not be a very common phenomena.

Devesh Agarwal: What would be the charges here on a per consumer basis?

Ram C Sesharaman: The pricing in fact is publicly available on the PFRDA website. So there are three charges; one is the onboarding, the initial part of it get paid per transaction and there's the AMC charge that we get.

Moderator: The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: My first question is a follow-up. So you know there have been a flush of funds coming in through these NFOs both on side of passive and say direct equities, long-term equity funds. But what we see is that there's been a sharp rise in distributor commissions in these NFOs. I know that our revenue contracts with the AMCs are broad level contracts, but are we seeing any compression or say pressure in terms of pricing with these AMC or are there any negotiations happening because some of these NFOs who are very large in their size? Second is sort of on the staff cost side. I understand that our business is highly scalable business. So why is there a need to rebatch the employees from FT side, just to understand that what sort of AUM will we be able to handle with the current employee base?

Anuj Kumar:

So as far as commissioning, etc., is concerned, I don't want to kind of comment on behalf of the AMCs but I can just give you general background statements. AMCs have long term strategies in terms of engaging with distribution and commissioning and then they will have short-term moves in terms of what they want to do in a month or a quarter or in a product class. In a general way you can say that AMCs have to manage expenses in a certain way but I don't think that they are linked so closely or so tightly with what happens in one NFO what happens in a quarter. So right now we are not seeing any direct correlation of any kind with our yields and what the AMCs choose to spend, if they have chosen to spend more. That's part one. Part two as far as FT is concerned just think of it this way that despite the very high level of automation and untouched by hand process execution, there is a significant amount of knowledge that this business needs. In fact we run a large knowledge worker shop because the entire architecture and mode of execution of mutual fund transactions is very nuanced, very multi-layered, very detailed and is a creative by experience, you just can't get employee into a training room, training him for six months and believe that he's as good as the rest because it doesn't work like that. So when the FT contract was up obviously we were also interested in taking over the employees. And as far as FT was concerned they are a very employee-centric organization and they wanted uniformly positive rub offs on the business in every which way and they couldn't think of a better way than to ask us to take over the employees. So that's how the whole deal got structured. Those employees have now joined but there's always some bit of contraction, but outside of that contraction those employees have joined. And one of the reasons why we've been able to kind of stabilize and make it steady within a matter of a few weeks is that the benefit of experience was with us. Without the benefit of experience it could have been a job with at least one more notch of complexity if two.

Moderator:

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

Dipanjan Ghosh:

Two questions from my side. One is if I see your asset link revenue and just try to compute the yields using the average AUM that you have reported, it seems that your calculated yields on the asset link revenue side has been broadly flattish even though the equity mix have kind of increased a lot in the last two or three quarters. So just wanted to get some highlight is it because the AUM is growing and there is a slab wise pricing that is playing? The second question on the account aggregator business. Beyond the initial investments on a recurring basis if you could share some like as to what will be the sort of recurring cost that you'll incur on a steady basis out there?

Ram C Sesharaman:

From the yield perspective, yes, you are right; there is a positive above for the mix because of the increased equity. Our yields have stayed same or marginally probably improved but the reason for that is the telescopic pricing structure. As you see a broad increase in the AUM, there is an automatic deflator that comes in in terms of the pricing because there is a slab-based pricing that we have. So that's only contributed to this keeping the yield being flattish to very-very marginally up. That's the reason for the yield versus the movement in AUM. On the account aggregator, I think on a steady state basis as I was indicating, what we will need is a development team, 20 to 30 people to keep the development going to increase the features on the mobile app

and the platform as well as increase the security features plus the cloud hosting charges and the usual oversight. So it's not going to be a labor-intensive kind of a maintenance cost apart from the development and the upkeep and the maintenance as well as the hosting cost.

Dipanjani Ghosh: A follow up on the first part, is it like if let's say hypothetically if your equity mix was to increase, is there a number like where the AUM growth is x-per cent, equity mix increases by y-per cent, then kind of counter balances or is it a possibility if the mix increases significantly, then you kind of see margin expansion assuming that everything else is similar out there?

Ram C Sesharaman: So broadly what we are seeing and what we have seen in the past is that there will be a depletion in the yields when there is an increase in the AUM and we don't see that reversing. Yes, if there is a huge increase in the mix and not the 3% or 4% that I am talking about it's probably much higher than that in terms of the mix and it becomes very favorable to us, you could come across a situation where the yield is not flattish or depleting. But what we have seen in our experience over the last few years has been that increase in the AUM, there has been a decrease in the yield and it's kind of balanced out the increase in mix. So that's the experience we have seen in the last few quarters for sure.

Moderator: We take the last question from the line of Mukund, an individual investor. Please go ahead.

Mukund: My first question is can you give us the growth quarter-on-quarter and year-on-year excluding the FT numbers on both revenue and EBITDA?

Ram C Sesharaman: We don't give specific customer wise revenue but if you broadly mirror the AUM it's almost like 2% of the AUM. So you should probably assume that the revenue is also in the same range. From EBITDA perspective as I mentioned earlier in the call we are not yet EBITDA positive on FT. So I don't think it makes a very big difference from a profit perspective.

Mukund: Sorry, I didn't catch on the revenue side. You are saying roughly 60,000 crores of AUM that is there?

Ram C Sesharaman: We don't give specific pricing or numbers but as a AUM percentage, it's 60,000 crores upon the 25.5 trillion that we have, could be used as a broad basis to extrapolate.

Mukund: That proportion you're saying. Got it. Also on the yield, I know there have been a lot of comments already on this call. You said that increase in the AUM has led to decrease in yield, that is what the experience has been, but the change in the asset mix or asset class has more than offset or maybe offset the decrease in the yield. But do you see a client coming in asking for pricing decrease or is it a fixed contract like long term four to five years, some sort of competition would like to decrease apart from the increase in the AUM?

Ram C Sesharaman: So it is a bilateral contract and different contracts come up for renewal at different point of time. So you will have the normal touch of customers coming up for price negotiations in later part of the year or early next year. This is kind of a usual practice, whether AUM decreases or increases,

we will probably have to go through the price discussions with the customers. And as in every bilateral discussion obviously, some ask for discount which we will have to negotiate at that point of time. We're not seeing something abnormally different in terms of customers coming back to us. It's just a normal year in terms of price negotiations that happen with customers.

Mukund: As the volume of AUM increases, that's the negotiation that they come in? Got it. Third question is some guidance around FY'22 numbers in growth and margins, maybe short term numbers?

Ram C Sesharaman: We generally stay away from giving projections or guidance but we have to track the growth in AUM. So you would have projections of AUM growth. Our asset-based revenue generally with a lag will track the growth in AUM. So while we do not give specific guidance on the next few quarters I think people are bullish on the growth of AUM in the industry and our asset-based revenue should broadly track the growth in AUM with a small lag. I think that's the way we should look at it.

Mukund: On the margins you're saying 44%, 45% is sustainable or there might be expansion in margin going forward because of operating leverage, is there a room for that?

Ram C Sesharaman: While your point is right in terms of operating leverage, but what we have seen is that we continue to invest in resources and in CAPEX and in various other things, for example, the NFOs we saw the revenue part of it. From a cost perspective we have to do a short term hiring of more than a few hundred people to ensure that the data entry happens. So there is always an increase in cost that accompanies the increase in revenue. So while there is theoretical operating leverage available, the wage expansion because of either the salary increment that we have or because of the people that we need to get in for the volume increase or for the talent that we invest, all those things will suppress this to a large extent. So we do not see the EBITDA margins growing very high. We would assume that in a growth phase that we are seeing in a cycle like this more than 40 is probably to be expected, but our long term normal has been between 35 and 40.

Moderator: Ladies and gentlemen, that would be our last question for today. I now hand the conference over Mr. Ram Charan, CFO for closing comments. Thank you and over to you sir.

Ram C Sesharaman: Thank you, Aman and thanks to all the participants for spending time with us on this earnings call. It was a pleasure interacting with you. As usual if you have any further questions, please do reach out to the company either through its website or to Mr. Anish Sawlani who is our IR Head or through Orient Capital who are our IR agencies and we'll be happy to answer any questions that you may have. Please continue to be engaged with us. Thanks so much.

Anuj Kumar: Thank you.

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