"Computer Age Management Services Limited

Q4 FY'24 Earnings Conference Call"

May 10, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY'24 Earnings Conference Call of Computer Age Management Services Limited hosted by Orient Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touchtone phone.

I'll hand the conference over to Ms. Shiwani Karwat from Orient Capital. Thank you, and over to you, Ms.

Shiwani Karwat: Hi. Good morning, everyone. Welcome to the Q4 FY'24 Earnings Conference Call for Computer Age Management Services Limited. As mentioned today, from the management we have with us Mr. Anuj Kumar, Managing Director; Mr. Ramcharan SR, CFO; and Mr. Anish Sawlani, Head of Investor Relations.

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

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

Anuj Kumar: Thanks, Shiwani, and good morning, everyone. Appreciate all of you making the time to join the earnings call today morning. Like we do in the standard format, I will take you through presentation. Ramcharan will cover the financials over the first about 25 minutes and then we will have the rest of the time open for Q&A.

I estimate all you have seen the results by now. We had a very strong quarter, perhaps the strongest in the last many years. And I think the great news is that we had all cylinders firing. And I'll explain to you what that means. But we had most components of the business, whether on the mutual fund side or on the non-MF side, firing in terms of revenue growth and share. And then profits obviously followed given the fact that we have managed to exercise just significant prudence and control in managing our costs.

But looking at Chart 6, on the mutual fund business, you know that in the last year we've had a clean sweep. So we have won every single mutual fund that decided to set up operations for business. This is AngelOne, like you all know, Torus Oro and Unifi Capital. With one large mandate whose decision has not been announced so far, we are, of course, very positively and strongly engaged there, which we will declare in good time. But these three, all of them coming to us has been a very soothe experience. With these three wins, the culmination is that we have an aggregate of five wins among the last seven new open mutual fund AMC bids which has happened in the country.

Our mutual fund AUM has scaled sharply. It is now at the end of the quarter worth INR37.2 trillion. This was a 10% quarterly growth and about 33% year-on-year. The overall market share stands at 68%. Equity AUM had a fantastic run. It stands at the end of the quarter at INR19.3 trillion or INR19.3 lakh crores. This registered almost a 50% scale up, and all of you have been watching this number and know the constituents. So this had almost a 50% scale up.

The good news is that our equity AUM, which represents the retail part of the franchise, which represents the highest yield, and therefore, profit accretive component of the mutual funds business grew ahead of the industry and continues to gain share. This gaining share has been a phenomenon for the last about six quarters, but it continues to stay there, which is great news and indicative of how these stacks are laid out amongst the AMCs in terms of growth of equity AUM.

This then is supported by the live SIP book. And you know that, that is one of the key things, the engine of the car, which is moving this whole thing ahead. Our live SIP book grew 37% ahead of an overall industry number of 32%. So that was very satisfying.

And then our unique investor base crossed INR3 crores or INR30 million. And this again is a foundational metric, if you get more investors, they come into more SIPs. I think growth over the years is almost assured because this is sticky money, and they're not prone to any knee jerk reactions. So unique investor base for CAMS serviced Funds grew 25%, again, at a significant advantage over the rest of the industry, which grew 18%.

On the non-mutual funds side, again, very satisfying for us because there are several components there. We've described that as mutual fund plus 6. And within this, most businesses scaled and scaled very well, the ones which were profitable improved profitability. So the sustained focus has seen a 2.5% or 250 basis points year-on-year growth. This was about 11% contribution to revenue last year.

This quarter, it's 13.5%, so it scaled up about 2.5%, which we have said that we'll be happy doing 2% every year, so as well into non-MF, do remember that non-MF has gained a bit of share despite very, very sharp run-up in MF assets and significant growth in MF. So that was not an easy task, but we've managed to do that.

Within that, Alternatives grew 20%. That is CAMS AIF and what quadrupled as 32 new mandates, including the several in GIFT city. CAMSPay, the payment franchise has been doing well. We've got the in-principle, as you know, last year this quarter we got the final authorization or license to operate as a PA from RBI in 4Q, which was great news during the year. We will figure out how to transition the business over time. So that was done well and has had in excess of 20% revenue growth.

On the insurance side, if you read the statute, IRDA has mandated electronic issuance of policies. Now, this does not mean a mandatory holding in Demat. What this also means is that you could -- the only thing it stipulates is that physical policies will be insured only on request of the policyholder, if he specifically wants, he or she. Other than that, you can issue it in the DigiLocker, you could keep it in the EIA which is the insurance account, it could also be a PDF, which goes with an e-mail, but it's a cut down on paper issuance. It is still not a mandatory Demat. But a good announcement. I think the markets are noticing and that will give some fill-up to overall momentum in creating EIAs and accruing policies in that format.

KRA continues to broaden its offerings, and more importantly, broaden the go-to-market. We've said that outside of mutual funds, we have now for the last about 1.5 years been focused on onboarding fintechs, brokerages, wealth entities, wealth advisers, investment advisers, those kind of entities. Revenue grew a stratospheric 90%. And all of this adds up to the 52% non-MF growth that you've seen, of course, on a small base, but very gratifying to see that part of the franchise really come out on top in terms of broad revenue growth.

So in terms of highlights, just broad highlights. Overall company revenue grew about 25%, MF at 21%, you have seen all of this, non-MF at 52%. Even if I yanked out the Think360 contribution, which accrued to us starting April last year. If I take that out it is still 38% on a constant base, and with Think that's 52%.

In non-MF, the other gratifying thing is that 4 of the 6 non-MF businesses grew more than 25%. Overall EBITDA, and you'll see in the number, is at 31% year-on-year growth. EBITDA percentage, I would say, is at 46.1%, largely given the run-up in assets and in revenue. This was at about 44.8% last quarter.

And we believe there is a more moderate number between 45% and 46%, where it should show up in the next couple of quarters, 46% is slightly stratospheric. So look at it that way. PAT grew 38.7%. And then overall PAT percentage just like I spoke about the EBITDA percentage is 32.2%, which is 320 basis points up. Again, an exceptional quarter, we will see whether we can hold out exactly these profit margins, maybe a little slightly moderate in the coming 2 quarters, but all of that, all of us can watch closely.

Go to the next. I will cover Chart 7. Again, this presentation has been uploaded. So most of you have seen. I think the retail growth has played out across the board, and this plays out in gross SIP registration, where you saw that our overall gross SIP registrations are almost INR265 lakhs, so upwards of INR2.5 crores.

And when you see this is ahead of the industry metric, 73% versus 70%, very, very foundational. If I see gross SIP sales, so when you register more gross SIPs, obviously, one expectation is that you will get increased collections and increased sales. That has gone up from a 58% share to a 60% share. And at the bottom of the chart, overall increased share in SIP collections, which is 32% versus 28%.

And similarly, when you see all of this leads to just an exceptional gain in equity net sales share, which has grown from 65% in FY'23. If I take the whole year, this is at 75%. So that's a significant scale up. This has also led to transactions growing. And when you see transactions on the top chart, INR13 crores transactions in April to June, not too long back, less than a year back, April to June INR13 crores. INR14 crores, July to September, close to INR15.5 crores October to December, INR17.5 crores Jan to March. So INR13 crores going to INR17.5 crores growing in excess of 30%. What this creates is just a significant focus on getting things right.

As you know, operationally we opened -- like I said, we opened over INR2.5 crores new SIPs, several crores new folios, everything has to go right, including making sure that every SMS is delivered, every e-mail is delivered, every format of customer interaction is fully recorded. So it just takes humongous amount of focus to get all of these things right, it's almost a near zero error environment.

It also means that both the people capability in making the Angel run and the technology capability in solving these very, very complex problems of making sure that INR100 crores SMSs land up where they are supposed to land up. And if a couple of lakh did not land up, then we have enough backups to make the investors aware of what happened to those -- to their transactions either through a e-mail, if an e-mail doesn't work then a voice blast or a letter.

So it also means a significant investment in data centers, capacity, availability, storage, processing, perimeter security, monitoring. Just think of every aspect of it. This just needed tremendous focus, tremendous investment, just happy to share with all of you guys that that's come out very well. In my tenure, I think in the last several 7 or 8 years, I have not seen a quarter which had just so much activity, and which has such significantly bolstered financial results.

Next. I would quickly take you through the key businesses. On Alternatives, 4Q revenue grew over 24%. Clients continue to indicate the preference for CAMS, 32 new mandates. The digital onboarding platform WealthServ has now ended at over 132(13.39mins) sign-ups. So think of about a 1,000 AIF industry. And then within that, almost over 10% of the constituents are using our digital onboarding and they continue to scale the participation.

GIFT City, total client tally to 17, it scaled up a little more in the last month, but going well. We had announced, you may have seen an exchange filing that we are setting up a larger office, which should be opening in July, the space etcetera has been leased. We see potential, a lot of potential there, and we've hired a much larger team. So all of that will play out over the next 45 to 60 days.

Fintuple's platform integrates now Custody, custodies of the basic constituents then combining with both PMSs and AIFs. And now they're building capabilities for digital onboarding of FPIs and FDIs for these custody banks. So that part is growing well. Fintuple has also turned at EBITDA level profitable last year, which is great news for that business. On payments, just a set of positive happenings, of course, the license is one of them. In addition to that, in excess of about 20% revenue surge, for the year, about 24%.

Across the board, over 80 new client wins. UPI AutoPay where we were the pioneers and now of course, other people have learned and they're doing the same things, but we were the pioneer in proposing UPI AutoPay as an alternate to NACH and eNach as the way to collect SIP money. So a lot of momentum there. And then specifically from a PSU perspective. Now you know that there's great salience in PSUs. These are large clients. We had gone live with the authentication services for LIC and they are doing -- planning to do PG kind of work with Indian Bank, Bank of Baroda and Canara.

Go to the next. KRA I think has perhaps been the best story, again, coming off a small base for the last 6 quarters, all of you've seen just fantastic results. The 10-minute KYC. Again, all of these things are copyable, there's nothing which someone else can't copy. But there is an advantage in being first to the market because that just creates salience and thought leadership in the minds of the constituents that we can do the best job, and we can do it ahead of anyone. So we were the first to kind of bring this out, makes the job of account opening much faster. You can open the account to start transacting, especially enough on the same day.

And then all the constituents of artificial intelligence, including almost instant name match, face match, OCR, etcetera, Liveliness checks all of that is built in. So we delivered a robust 90% year-on-year growth, even quarterly, we grew almost 30%, 28% quarter-on-quarter. Continue to add fintechs. I think mutual funds are significantly penetrated.

Most of our mutual funds are with us. Fintechs and brokerages -- although we still don't have the first 1 or 2 names. Those are expected to at some time start working with us, but the 1 or 2 or 3 top brokerages are still not there. This has happened despite that. Once we are able to crack one of the top funds, I think the results could be even sweeter.

And then from a -- just from a collaboration, cooperation between Think and KRA and Rep, etcetera will all continue to work closely in the market because we are not rebuilding any components which are available in the group. I think Think's KYC solution, which you know has been active for public sector banks, very active in fact. That is now acting as a front end and then CAMS KRA brings up the real -- in all our KYC promos and sales.

On Rep, CAMSRep, we were hoping and expecting that there could be some definitive move towards Demat. Now, as you know, in the recent announcement, that's not happened. Digital issuance, of course, will become mandatory, but that means many things. What it has certainly done is that a lot of people, including consumers have read the circulars, read the news, the inquiry about EIA is more sustained. People want to understand what's happening there. So we've crossed about 80 lakh policies, we've crossed 60 lakh e-insurance accounts, overall about 40% market share.

The other thing is that Bima Central is now live, now of course, integrating insurance companies is a job and building data exchange with them. So it is a small set of companies. Now, insurance company is live but its ability to help you manage your personal data in e-insurance and over a period of time as regulation and market frameworks align to it, allow various things, including premium payments, renewals, lien marking, borrowing of monies, etcetera. All of that is slated to occur on the platform. So that is a good thing. We would have expected a little more action here, which may happen in the ensuing quarters.

And then on Finserv, again, very nice story playing out, you will remember 2 years back, when we had gone live. Sometime in the beginning of FY'22, we almost had 2% to 3% market share. That was the time when the brokerages started, adopted this, things like on the TSP side, PFM etcetera wasn't selling as much. It was largely a lenders market. So we were finding gaps in the fence to enter. Pleased to share with you that we now have double-digit market share.

I've shown this figure in the past to you. The number scaled to about 13% in a hypercompetitive market with a lot of incumbency and incumbency wasn't ours, it was someone else's. To scale to 13% has been sweet, F&O Account opening, most people tend to prefer us. And we continue to onboard high-quality marquee customers in this area. We have the largest number of Live SIPs. This is a nice selling point because SIPs are the ones giving data. If you have large SIPs, you -- large number of SIPs, you become intrinsically attractive to anyone who's trying to pull data. So that's a nice commentary to have on our side.

So again, I think while revenues are still very small, it is perhaps not worthy of a mention here, but just the scale up, the quality of teams we built, the quality of integration and APIs, consumer journeys, market share are very, very positive. Think continues to -- so like KwikID, which is the video KYC product, continues to scale up with the PSU banks. Also the good news is that we've got empanelled by State Bank of India and should be able to go live with them.

Think and Rep, as you know, won these insurance KYC contracts, both from SBI General and Oriental Insurance, Oriental is now live. And that part is going well. They commenced an analytics transformation deal worth Moneycontrol. And overall then, Algo360 had a start with AngelOne so sustained, I would say, client level movement at the -- across products and of course, we continue to stay focused on building the team and making sure that the partnership with CAMS and various subsidiaries of CAMS can lead to meaningful expansion of business.

I will pause there and then hand over to Ramcharan to speak a little about the financials.

Ramcharan SR: Thank you, Anuj. I'll just take a couple of minutes to go through the broad financial numbers and the trends. As you would have noted, the AUM grew significantly year-on-year to up by about 33 percentage. So the overall revenue tracked at -- overall revenue grew by around 25 percentage for the quarter, INR310 crores, out of which INR269 crores was MF revenue again grew by around 21%, tracking the growth in AUM.

The good -- AUM was that the equity actually grew disproportionately to the overall growth. So we had almost 50% growth in equity AUM, which is beneficial to us. So tracking that the revenue, mutual revenue as well as overall revenue grew by 25% and 21%, respectively.

Out of which, the asset-based revenue grew by around 20% year-on-year and sequentially by 6%. And the non-asset-based revenue, which is predominantly one-third of the transaction revenue and then the application revenue, the call center and the referables that grew very well to around 28%, which is kind of higher than what we have seen in the earlier quarters. So overall, from an MF perspective about 21% growth, that's the increase in AUM as well as some increase in the transaction revenue and the call center revenue.

The non-MF revenue has been a sweet story for us. As Anuj was mentioning, the growth has been significant. It's been 52% growth year-on-year and even on a sequential basis, 13% growth. The strategies that we put in place a couple of years back is starting to play out in actual number terms.

Even eliminating things for a moment because it was an acquisition we did in the year, the non-MF revenue has grown 38%. This is driven by growth across the spectrum, it is not limited to one sector, which is AIF has grown by around 24%, Pay by 24%, and KRA by 90%. So across all the investments that we have made, the growth has been seen, which is heartening to see given that it's not just one area.

So the non-MF growth over and above the base of MF, MF has grown 21%, but non-MF grown 52%. So which means that overall, the share of non-MF is at 13.5%, this is what -- it's from the initial slides, it has gone up from 11% to 13.5% on a year-on-year basis. That is 250 basis points up on the back of a huge growth in the AUM and AM revenue also. So which is very creditable from our perspective.

On the yields, the yields have broadly been in line with probably in the lower end of what we expected, but broadly been in line with the growth in AUM. We do not see a big disruption happening or depletion happening in the yields going forward. What you will see is what we guided last quarter, which just continue to see some depletion because of the telescopic pricing and probably minor price adjustments, but no big disruption or depletion in yields is seen over the next few quarters. So that's from a revenue perspective.

It has been a very strong performance from our profit, EBITDA, PBT, PAT. Operating EBITDA of 46.1% is the highest we have seen in the last 2 years. It's up 220 basis points year-on-year. So not only have we seen the margin grow in terms of absolute numbers, the mark-in has also expanded in terms of the percentage. So 220 bps up year-on-year to 46.1%.

And even on a quarter-on-quarter basis, we've seen more than 100 basis points uptick in the operating EBITDA. So INR143 crores is the highest that we have seen in terms of EBITDA numbers for the company. Going forward, we see that there will be some -- there could be some moderation because of the annual appraisal cycle coming in, in April.

However, now we will look to mitigate it to the maximum possible extent. However, 46.1% is probably the higher end of what we will expect going forward. There could be some moderation in the next quarter or 2 because of the salary impact. However, we will work to kind of keep it within range bound around 45% to 46%.

From a PBT, again, we've seen a big increase in the margins and are 350 bps up year-on-year and 200 bps up quarter-on-quarter to 41.9%. And the PAT for the quarter, for the first time, we crossed the INR100 crores number of INR103.5 crores of PAT, it's a very healthy 32.2%. PAT is up almost 39% year-on-year and 16% quarter-on-quarter.

So again, a very strong growth that we have seen in profit higher than what we have seen in the revenue numbers, which is, again, pointing out to the good cost control and the operating leverage that we are seeing. The return on net-worth was around 47%, again very high on a quarter-on-quarter basis, and we ended the quarter and the year with a very comfortable cash and cash equivalent position of around INR618 crores of cash.

The Board was pleased to recommend a dividend of INR16.5, which will be taken up by the shareholders for final approval at the AGM on July. Overall, it is a strong quarter, even if you see the trend that has been there published in the earnings presentation, you will see for the last 2 years, there has been a consistent increase in the margins, starting with 41% we saw in FY'23 Q1 to 46.1% that we are seeing now. So it's been kind of an increase across 2 years to the margin profile to what we are seeing now.

Here, I'll just spend a minute or two on the yearly numbers. We ended the year with a INR1,136 crores overall revenue number, which is up 17% year-on-year. This is up INR165 crores in overall revenue. It's a very healthy growth year. And you've seen the last couple of quarters have actually accelerated this growth when you compare to the first 2 quarters. So we're on a good wicket on that.

And overall, MF has grown by INR115 crores, which is again very healthy. And non-MF even on a year-on-year basis, as grown by 51%, which is we are at almost INR150 crores of non-MF revenue driven by -- across all sectors, which is AIF, payments, KRA and the software businesses, everything has grown more than 25 percentage or close to that to ensure that overall non-MF growth comes to around 51%.

The annual profits also again very healthy. We have entered the year with a PAT of around INR353 crores, a margin of 30%, which was around 28.5% the last year. So the story has been strong revenue growth, mutual fund driven by assets, yield broadly holding in line. The non-MF growing very high to 50-plus percentage of year-on-year growth and the profit margins reflecting a good control over expenses as well as operating leverage and a very, very healthy numbers of 46.1%. So this is a snapshot of the financial numbers for the quarter and for the year.

So I will just hand it back to the moderator, Neha, and she can open it up for questions.

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

Supratim Datta: I had two questions, particularly on the insurance repository business and the CRA business. So on the insurance repository business, you talk about how the current regulation do not mandate Demat -- storing policies in Demat account. Just wanted to understand then how will you drive consumers towards moving away from PDF copies towards EIA accounts? How would this journey be facilitated by a player like CAMS or it has to be facilitated by the insurance company? In which case, this could take longer to happen, the transition from PDFs to EIA accounts? That's the first question.

The second question on the CRA business. We understand that recently, the government has opened up the APY business to other players as well beyond Protean. So just wanted to understand how do you see the opportunity in this business? And how do you look at scaling that up? Those are my two questions.

Anuj Kumar: No, sure. Thanks, Supratim. So on the first part, think of it this way that any digital issuance or electronic issuance of policy like an attachment to an e-mail or a DigiLocker etcetera, does not have the intelligence that an EIA account has. So for example, you can have a single EIA account and within that, all the policies can be managed together, which means you can manage your metadata, which is your contact details, name, address all of that, if you make a single change, it flows to all the policies and then it flows back into your insurance records, which is not how PDF attachment works, that is just a PDF, dumb PDF attachment you'll have to store somewhere.

But more than that, as you scale up, can you set reminders for payments of insurance premium. Can you pay an insurance premium through the EIA, the answers is yes. Can you set up of reminders, the answer is yes. Over a period of time, can you make claims through this utility? The answer is yes.

Whenever statute allows today, digital lien marking is not allowed in insurance, it is allowed in MF, in the securities market, it is allowed not in the insurance market whenever that happens. You know that a large part of the market borrows money to pay their premiums, which means you have an annual premium due on 1st of June, and May you just borrow against your policy where you have, let's say, a surrender value of INR10 lakh. That kind of thing is still done on paper.

To facilitate all of those things. And today, you know in the securities markets very elegant APIs are available where in 3 or 4 minutes, you can get lien making done and identification of assets. And then the limit is made available to you or the money lands up in your bank account. All that is not available in insurance. So those things can only happen through the EIA account. Think of it as exactly the mirror image of what happens in the Demat account, the securities Demat account. So the advantages are legendary, and are fairly significant and consumers will start adopting.

But to create financial infrastructure, what do you need? First of all, each one of us should have an EIA account, and I'm very sure that amongst the people on this call, everyone will not have. You should have moved the policies there. And the third is that all the insurance sector participants, largely insurance companies, should be on a seamless data exchange just like today, the mutual fund companies are, the RPAs are and the repositories are, that's journey to be undertaken. Will not take very long. Will not take -- I don't think it will take 5 or 6 years, may take a couple of years. As that happens, the significant advantage of EIA will get established. That's part one of that first -- the first of your questions.

The second is that on the CRA, there's this policy class, which is APY, the Atal Pension Yojana, which has been eyeballed for quite some time now by the regulator in terms of allowing the CRAs to participate. They have made a formal notification recently. It's a mass-market product. It is consumed in large numbers. But of course, the pricing, etcetera, is very, very thin. Like you know, in most of these markets pricing is thin. But this is significantly thin because it is targeted as a social advantage delivery to a certain fraction of our population. So we are excited. We are excited that APY is opening up.

We have the capability because all of that is a base requirement to you getting the license. So we have the capability to participate and we will soon begin participating. How the numbers will pan out, how do you penetrate those markets, etcetera, will become visible in a period of time. But yes, it's a great announcement, and we are excited by it.

Supratim Datta: Perfect. And just one question over here. So could you -- the existing customers who would already be on APY with Protean, could you get a share within that existing customer base? Or is it mostly in the incremental new customers will be getting the share?

Anuj Kumar: So what happens is that inter-CRA capabilities switch is available as a part of the architecture, just like you've seen in mobile number portability, etcetera, most consumers do not switch. So getting consumers to switch to build a marketplace isn't an easy task and isn't perhaps the cornerstone of our strategy, selling new is. So that's how this market will also progress.

Supratim Datta: Understood. And just 1 last question on the MF business. So just wanted to understand that like going into FY'25, are there any major contracts which are coming up for renegotiation?

Anuj Kumar: So like you know, typically, these contracts hold out for 3, 4 or 5 years, some for 2. So there are some contracts where the dialogue is undergoing, which were due either on 1st Jan or 1st of April. And we are in the process of speaking to the client and then second down on a price regime, which will hold out for the future. So there are a set of clients.

Supratim Datta: Understood. Can you quantify what would be the share of AUM or the number of contracts that would be up for renegotiation?

Ramcharan SR: So I'll just say a couple of things, Supratim. Yes, there is a cycle, right? So if you have 20 customers, you would assume that every year at least 4 or 5 will come up for renewal. So I don't think this year is going to be any different, given that we enter into this renewal at different periods of time. So nothing extraordinary from that perspective.

The one thing that I will add is that it's not going to be something that's going to be a steep kind of a discount or give away given that a lot of these customers have reached a stage where the marginal cost for them is actually not huge, right? While there could be some impact that they will have on the TR ratios and all that stuff.

But what we expect is a moderate kind of a impact on all these things. And I don't think this will disturb the usual formula of AUM growth that is AUM fee growth that we have been used to. The only thing that I will say is that this is a routine development that keeps happening every year. Nothing exceptional is expected on this.

Moderator: The next question is from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal: Many congratulations on great set of numbers. My first question is on the mutual fund business. We see that there's a 2.3% sequential decline in the yields for a 10% growth in the AUM(37.30mins), and this is despite the 200 basis points increase in the equity share of the AUM. So just wanted to understand it better is this you think the new normal run rate for a 10% increase in the AUM that we should expect or were there any adjustment in 4Q that led to a slightly higher moderation in the yields?

Ramcharan SR: So Devesh, I will answer that question, no, there was no adjustment or anything that happened. We've seen that, in fact, earlier quarter, you saw more than normal kind of a AUM fee growth to AUM growth. It was kind of almost like 90-plus percentage. Some quarters, depending on which customer grows from a scale perspective, there will be some adjustments. Yes, it is on the lower side of our expectation in terms of what the yield will be, but not very different from what you see. If you say AUM growth, to AUM fee growth, we are again plus 60-plus percentage in terms of this, 70% is the normal.

So I don't think that we need to make any adjustment on our assumptions. I think going forward, what we have projected in terms of AUM to AUM fee growth, plus or minus a few percentage will play out. You will see that in Q1 also. So no adjustment is needed, and it's not as if a big price reduction was given or something happened in the last quarter. It's more kind of a growth that's happened in some of the scale customers, which marginally add the lesser yield to us. I don't think that -- that's normal, so over a period of plan has been our experience. So no major change in assumptions is actually needed for this.

Devesh Agarwal: Understood, sir. And secondly, sir, within the mutual fund non-asset based revenue has been growing in line with the asset-based revenues at least for the FY'24. So do you expect this to continue that the growth in the non-asset based revenues will be similar to what we're seeing in asset-based? Or this is expected to slow down, given that there's an increase in digitization of transactions and the revenues from paper-based will go down?

Ramcharan SR: So Devesh, there are 4 aspects in this non-AUM fee, right, which is: one is the transaction fee, which is again going up. But we see that overall percentage of say static, right? It's between 8% to 11% of paper transactions still continue to come. On an absolute number, they are not going down at all. But there are other components of this also, which is the call center, which is kind of more and more regions do get added and then there is this entire miscellaneous and application fee. As we kind of broaden our base, we have more and more people subscribing to our applications, to our APIs, etcetera which is a part of this.

And then there's out-of-pocket expenses it never goes down because always, there is an increase in the volume of transactions, which is linked into it, right? For example, you'll never stop -- you'll never send lesser SMSs or e-mails or lesser postal when they are quite -- they are low, etcetera. So while I do understand that the growth this quarter has been a little higher than what we are used to, I don't see any big moderation happening in that growth given that the paper transactions continue to be range bound in terms of the percentage of total transactions. And the other components of this non-asset based revenue being on a upward trajectory even when the digitalization happens, because it's not related to the average.

Devesh Agarwal: Understood, sir. And sir my last question would be on the non-mutual fund business. Again, we have seen a very healthy growth especially in the fourth quarter. So one, I wanted to understand what would be the segments which will see the maximum growth in FY'25? And also your thoughts around the growth through acquisition given that both Fintuple and 360 have been good acquisitions for us. So what are the areas that we will target, which will kind of grow through acquisitions or inorganic growth? Yes, that will be my last question.

Anuj Kumar: No, sure, Devesh. So if you see last year, which is FY'24. What added to the momentum of non-MF growth is KRA as the biggest engine, pay as the second and AIF as the third. And I think in this year, I'm expecting the same to happen, which means these 3 will remain the engines, which will drive the growth.

Account aggregator as a fourth engine was great in percentage growth, but the base is so small that absolute growth at company level has not been impacted. I'm expecting that in FY'25, account aggregator will also start making its presence felt in terms of making at least some increment to company financials, very small, but it will do that.

So think of it as pay, KRA and AIF in the lead, account aggregator somewhere there. So then what it leaves is 2 franchises, 1 is insurance where we have said that the -- while environmentally, everything sounds very good, the exact niche to enter and the start scaling the adoption of EIA is perhaps still not 100% clear in the marketplace, not just with us, with everyone. You are holding out the large share. But absolute growth in terms of policies and EIA accounts, etcetera, is still a moderate number.

So something has to happen materially as the Bima Central becomes a large franchise, adoption is very great or consumers wake up and they want to start adopting EIA accounts. That's 1 part which can play out and Think is the other one, which can also play out. Fintuple is a small constituent. But like I said, is doing some very meaningful work.

So when you look at MF plus 6, which is non-MF of these 6 constituents, I think Pay, KRA, AIF as the 3 leaders, account aggregator coming as the fourth, driving the engine. And then between insurance repository and Think where percentage wasn't very high last year, if they are able to kind of be the penetration and scale up, then we could have them also participating. But the first 3 really will continue to lead the charge. That was the first part of your question.

The second, you asked about acquisitions and whether we have an intention whether we are shortlisting things. So yes, we are looking at the market. As usual, finding a good candidate in a good segment is always our intention. I can also tell you that while Fintuple was largely on the alternate side working with custodies and with AIFs and PMSs. Think, a core franchise, is more on the lending side not so much on the capital markets.

We believe that a good target could come out of payments and insurance. And more than that, I don't have much to share because we haven't really thought sharper than that. We continue to scan the market all the time. But I believe between payments and insurance, it could be a nice segment for us to think of the next target company. When and how, we will update you whenever that happens.

Moderator: The next question is from the line of Abhijeet Sakhare from Kotak Securities.

Abhijeet Sakhare: Question on expense growth. Last year, we delivered about 15%. So looking forward to your FY '25, how should we think about it? I mean, part of it would obviously be driven by the revenue growth that we're able to achieve. But anything that's already kind of committed and part of the investment pipeline?

Ramcharan SR: So Abhijeet, yes, we do not -- 2 things. One is that I indicated earlier, which is that the usual increase in salaries and given the market and given the technology focus that we have, will continue to happen, that's a given in terms of what we do. So our overall expense growth, I think last time it was around 18% is what including 15% in terms of year-on-year. I do not foresee that expense growth will be much larger than this.

We do not have -- we continue to invest in the products, as I said, the run rate is around INR7 crores a quarter is what we invest in the new platforms. We don't see that changing drastically either upwards or downwards in terms of what we invest. Obviously, the revenue that's coming out of it just next to nil a few quarters back, it's now ramping up. So that will have a beneficial impact. But from an expense perspective, I don't think we're going to cut down on our investments or moderate that to any extent.

So I don't think that you will see any difference in terms of expense growth for the next year for your projections. No exceptional expenses are being planned as of now from a revenue perspective. If and when there is some concrete plan on re-architecting platforms, etcetera, we will come back with a proper explanation for that.

And that will be more kind of a long-term platform building, not a short-term operating expenses kind of a ramp-up that you will see. So the short answer is we don't expect exceptional expenses coming up for the next year, and it will be in line with what you are seeing now. Obviously, as we go along, we might see some strains on salary cost or we might moderate salary cost that depends on how the market behaves, but overall, not much of a difference.

Abhijeet Sakhare: Understood. And one data question, what's the current headcount? And if you can split it up between MF and non-MF business?

Ramcharan SR: Yes, the current headcount is around 7,800. This includes around 1,200 people in the front office for MF and around 2,500 people in the back office for MF, then that includes around 800 technology-related resources. And then there are about 100 in risk and compliance. And the rest are split into corporate, support, the new businesses that we are into in terms of pay, Rep. Pay will have around 100 people, repository will have around 250 people. KRA will have 150 people. So that's how it gets split into.

Moderator: The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services Limited.

Prayesh Jain: Sir, congratulation on a great set of numbers. Firstly, on the margin front, the -- what would you attribute more to and if you could give some granularity as to how much of the increase in margins is coming in from the new businesses? And how much is from the scale-up in the MF business? So some understanding as to -- and that will help us think about the margins in FY'25 and beyond as to how should we kind of think about margins.

But Ram did mention about the cost and you'll be able to maintain margins between 45%, 46%. But if you could help us understand the quality of margins in the MF and the non-MF business, that would be helpful. And just in that context, it would be great if you could start sharing some information on the subsidiaries on a quarterly level in terms of profitability. That's just a feedback, yes. That will be my first question.

Ramcharan SR: No, thanks, Prayesh. We've taken that feedback. And just we do track from a -- I'll just give a caveat that all the non-MF business are not homogeneous, and we don't follow the same pattern in terms of market, pricing, target markets, etcetera, revenue model, etcetera. But then just for the ease of understanding, I kind of put it into MF and non-MF buckets.

We have seen a creep up in the margins of non-MF given that the platform businesses are -- predominantly are all platform businesses. We've seen what used to be a 15% kind of overall EBITDA level across all businesses, that's now crept up to more than 20%. We still feel that there is room for growth on that. We feel the steady state is probably close to 35% to 40% given the nature of these businesses, but it will take time to come there.

But we've seen a good growth from an overall perspective from the non-MF business also. But the bulk of the market increase is flowing from the mutual fund business. What you see is obviously earlier it used to be a depletion in margins because of the non-MF business. What we are seeing now, they're also starting to contribute incrementally to the margin growth. And hence, we don't see this reversing. The only reason why I kind of wanted to moderate, and Anuj also mentioned this earlier, to moderate the expectations for the next quarter or 2 is the annual cycle that comes from the salary increase.

So traditionally, our impact has been about a couple of percentage on the sales has been the impact on the salary appraisal. Obviously, we would try to mitigate that to the extent possible with productivity increases and automation, etcetera. But the caveat has always been that in a quarter or the next quarter or 2, you might see some moderation in margins.

But I feel that a steady-state margin would be around 45%. In a good quarter, it comes to 46%, in a bad quarter it will be a couple of basis points less than that, but that's a range bound number that we are seeing. On your subsidiaries performance and profit margin, we've considered that feedback, we will kind of definitely consider that while publishing the results for the next quarter.

Prayesh Jain: And coming to the AIF business, and that has been one of our key focus areas and drivers. What I look at is quarterly, there is -- on a sequential basis, there is no major increase in revenues. That is the way we calculated it other -- on whatever percentage share you give, we calculate the numbers, applying that to the total revenues. From that, I'm seeing that the revenues are kind of flattish, right, sequentially. Why would that happen in a market where equities have done well and AIFs would have done well. So any or -- any thoughts there?

Ramcharan SR: Prayesh, I think we have grown reasonably well quarter-on-quarter. Even in the last quarter, I think we grew on a quarter-on-quarter basis 5%, which is I think a decent number to grow. The nature of business is that you will have to keep repolishing the business as and when the fund's life go away. I think we're doing a decent job of that. And we have the newer lines coming in, in terms of the WealthTrak and the WealthServ, this onboarding as well as the analytics module.

And GIFT City, the lot of sign-ups have happened, but the ramp up in business is expected to start off shortly. So I think we are doing decently well on a quarter-on-quarter basis. And we only expect this trajectory to be higher as we go forward as we just -- the products that we have launched become more industrialized in terms of adoption. As far as the GIFT City revenue going up, which we have a lot of sign-ups in the GIFT City, but I think for the actual operations to start will take some time. So I think we are on a reasonably good wicket on that.

Prayesh Jain: Sir, even this would be -- revenues wouldn't be linked to AUM growth in this business, too?

Ramcharan SR: So most of our billing is -- actually less than 25% is AUM-based billing. Most of the billing is dependent on the number of investors who are onboarded to a particular scheme, which is the way that the customers are moving towards. I know that competition has got a different view on this. But what we are seeing in the market is that the customers are preferring or, in fact, are insisting that the revenue for the RTA be linked to the number of investors being serviced rather than the AUM.

And we see that that's also reasonable given the nature of the AIF business, given the large ticket sizes and one-time drawdown and investor servicing requirements being tied to that rather than to your commitment or AUM. So that's the way the revenue model is developing in AIF.

Prayesh Jain: Okay. Last question on the cash is, what would be your current cash position? And how -- is there any -- so the entire cash would be available to shareholders, right? And what would be the plans to utilize the same? That would be my last question.

Ramcharan SR: The closing cash position we had at 31st March was INR617 crores. This is before the recommended dividend. The dividend, I think the board recommended INR16.5 per share. That's a -- if the shareholders do approve that, it becomes a payout around INR80 crores, INR81 crores. So if you -- and even after that, we will have excess of INR525 crores, INR530 crores of cash on the books. That is the minimum net worth requirements for specific businesses. It could be INR25 crores for the pay business. It's probably a little less for the RTA businesses. But keeping all those things aside, the cash question is extremely comfortable and surplus.

Anuj was mentioning this earlier, that there is -- we are -- on scanning the ecosystem for possible inorganic growth opportunities. So 1 possible use of the cash is when we arrive at a candidate for this inorganic growth, and at that point of time the Board will take a call on whether that's an appropriate way to move forward for us. But for that, the entire cash is definitely available for the shareholders barring some minimum net worth requirements for the individual businesses. And the use will be dividend and more dividend and if at all we decide on inorganic acquisition, which definitely we are looking out for, that will be the better use for the cash that we have.

Moderator: The next question is from the line of Dipanjan Ghosh from Citi Group.

Dipanjan Ghosh: Just a few questions from my side. First, going back to the AIF segment. You obviously don't give the number of investors in your disclosures and AUM is only data point that we get. On that, over the last let's say, first half versus third quarter versus fourth quarter, we have seen some increase in yields, if I calculate revenues as a bps of AUM. Now is it a function of new clients getting onboarded or the WealthServ, platforms on the modules, digital onboarding modules that you have kind of maybe sold to your customers?

So just wanted to get a sense of what is a recurring sort of revenues growth in this segment versus, let's say, if there is any one-off sort of upfront income that you're booking because of this rapid growth in the new clientele that you're onboarding? Second, as you said -- correctly alluded that your competition has taken a different view on this segment. So from a structural perspective, do you really see pricing being stable in this segment? Or should -- or can one see some amount of volatility out there?

Second question will be on the entire non-MF businesses. Now you alluded to the fact that first movers in this segment obviously have some advantages in terms of both client recognition and trust. Having said that, you also alluded to the fact that it can be replicated over a period of time by competitors. Given that some of segments are quite nascent and maybe not duopolistic in nature, what is the pricing you are seeing in any of these non-MF business?

Is it sustainable from a perpetual perspective or can there be some amount of volatility? Lastly, two data keeping questions. One is if you can give your KRA revenue mix for FY 2024 as a percentage of your -- sorry, for FY 2023 as a percentage of your overall revenues? And the second will be the 7,800 employee base, if you can just split it between permanent and contractual?

Anuj Kumar: Okay. So that's quite a few questions. I'm just thinking which order to answer them in. But let me just take your question on non-MF and non-duopolistic markets. And that is true that across these markets, pricing plays out in a very different way. There are 1 or 2 markets where you could have a base pricing or more uniform pricing. KRA is 1 example where there is a set of 3 or 4 participants. And therefore, selling on price hasn't been a endemic feature of that marketplace.

That marketplace can be counted as a stable marketplace despite having several competitors. But if you go anywhere else, if you go to repository, where the price of converting a policy or the annual maintenance is perhaps half to one-third of what it used to be 5 years back. If you say account aggregator where the price of a single data pull is half to one-third to one-fourth and sometimes lesser of what it used to be at one-time.

And if you take payments where, as the ticket size falls, the INR2 to INR3 per trigger that is the standard price, we try to accommodate our clients, let's say, if somebody is launching INR100 of SIP collection or even smaller ones, we do accommodate. So therefore, not that in the MF RTA business, there is some great advantage of price. You have seen that despite being the two-player market, it does see a bit of price erosion.

In the others, I think they are as competitive markets as you've seen anywhere else. And for a lot of them, pricing is perhaps getting to a stable place. Because if you've seen a -- pricing is perhaps sub INR2 at times and INR1 per pull. If you see policy conversion and maintenance, which used to be upwards of INR10, there are places where it could get sold for half the price, and that is true of payments, too.

So we don't worry too much about predatory pricing because a lot of these competitors are stable, which means that one guy trying to just gain share basis asymmetry in price is something we don't see often, prices have -- in general, as consumption goes up, prices dwindle down. You've seen that in all these 3 markets. Even in the new market, we've seen that, Rep is a stable market, more than 10 years old, we've seen that, and so is payments. So I don't think there is cause to worry about pricing depletion is one force of nature, which is going to hit us on the face.

It is something that you deal with it every day or every month. It's like 4 gifted manufacturers or 4 car manufacturers perhaps behaves the same way, the threats are the same, the opportunities are the same. We have a stated position of not being a price player. So that is one thing we do not sell unless it's a relationship deal or a client we really want to be with, we don't sell price. What our competition does is obviously evident to you, a lot of them are listed, and therefore, you see how they strategize in the markets. So that's how I would answer your question number 3. I'm thinking of -- do you want to take that?

Ramcharan SR: Yes. So on your question on AIF. So it is -- well, almost all the revenue is annuity(1.00.39mins) in nature. It's not as if there is a onetime revenue that we book. There is some amount of implementation for the onboarding platform, but that's insignificant when compared to the overall revenue. And even in WealthServ not only do you have implementation cost, you also have an AMC cost that we bill. It's not some one-time revenue that's booked to ensure -- that is kind of causing the increase in yield or growth that you're seeing.

It's kind of -- what happens is that fund's life will fall off and new funds will get launched. So if at all, there is some fluctuations in the revenue, it will be because of the life of the fund and not because of our billing model. And we continue to see whatever the plus or minus, I think on the assets we see around 1.5 bps of yield that we continue to see across a reasonable period of time, probably it might vary from 1 quarter to another quarter.

Again, that's not how we bill, but just for reference, you can probably have that as the number. From -- I think you also asked revenue -- or 7,800 employees and how many are -- I think we have a policy that most of the employees are in-house. We have less than 500 people who are probably vendor staff and all those things. So most of the employees are on roll and -- on the roll of CAMS or its subsidiaries, and that's the split that we have. KRA 2023 revenue, I think some more detail, I can probably share the detail with you in terms of how the revenue was ramped up. But suffice to say that this year has been exceptional in terms of revenue growth with a 90% growth, and our strategy has also changed on that. But the exact revenue on '20, '21, '22, '23, I will probably share with you separately.

Dipanjan Ghosh: Just one small follow-up. With this employee number of 7,800, what total we did in '23 last year?

Anuj Kumar: So we have added on average around 550 headcount over the year-on-year basis. When I say average, I mean for average for the period. It's not start to end.

Moderator: Ladies and gentlemen, we'll take this as our last question. I would now like to hand the conference over to Mr. Ramcharan sir please for the closing comments.

Ramcharan SR: Thank you, Neha. And we thank all the participants for taking time to be a part of this earnings call and your continuing interest in CAMS is appreciated. In case of any questions, please do reach out to Orient Capital or Anish Sawlani in Investor Relations in CAMS, and they'll be happy to respond. And thanks once again for your time and hoping to stay in touch and engaged.

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