"Computer Age Management Services Limited Q2 FY-24 Earnings Conference Call"

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MR. RAMCHARAN SR – CHIEF FINANCIAL OFFICER.
MR. ANISH SAWLANI – HEAD, INVESTOR RELATIONS.

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

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY24 Earnings Conference Call of Computer Age Management Services Limited hosted by Orient Capital.

As a reminder, all participant lines will be in 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 you may 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 Ms. Shivani Karwat from Orient Capital. Thank you and over to you ma'am.

Shivani Karwa: Hi, good afternoon everyone. Welcome to the Q2 & H1 FY24 Earning Conference Calls 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, 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 the 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 top 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: Thank you Shivani and good afternoon, everyone. I thank each one of you for taking time out to join our 2Q Earnings Call. Like we've done in the past, we will take you through a structured presentation. And then we will have about 35 to 40 minutes for Q&A. Once we are done with the presentation. This has already been uploaded. So, I estimate most of you have already gone through it. But just to expand on the performance of the company during the second quarter. I will say it was a great sustained story of growth in the second quarter. Like you said we saw several historic highs, I will talk about them expanding the business share across both mutual funds and outside of mutual funds in terms of how we got share and then we achieve several key milestones across businesses. You want to see in that we reported, we have been sharing with you five mutual fund wins, four company which were just starting off in the market. Now we are the fifth, of these four both Helios and Zerodha went live this was of course outside 2Q this happened in October. But it's worth sharing with each one of you that both of them have formally launched in the market. So, we expanded our account of active AMCs, other AMCs that work with us.

On the overall mutual fund AUM, the first six months of this year and the quarter have been the best ever in recent times in terms of absolute and percentage expansion of assets. Our overall assets at the end of the quarter stood over Rs.32 lakh crore you'll see an overall 32.2 trillion. This went up 20% year-on-year and on the large base that's certainly a very significant number. Overall market share continued at 68.5%. Our equity AUM crossed 15 lakh crore, end of the quarter was 15.2. This registered at 28% growth year-on-year as you are aware, and our equity market share, expanded by almost 120 basis points. So, it's now 65.5% a year back this would have been 64 some change. So, that's been a sustained increase, also in the first quarter we've shown you our equity net sales market share which was in the 90s in the first quarter, which obviously a 90% share of anything can look like an aberration but very happy to share with you that, it's holding up quite well. Net sales is really the net money that comes into the market from investors. We had 80% share in the second quarter and this is probably the reason why the equity as a market share has gone up.

Outside of mutual funds. Our overall and I'm giving you a one year picture from second quarter last year to this year. About 3% or 300 basis points increase year-on-year in the share of non-MF revenue. This was in the range of 10% just short of 10 one year back in the second quarter, it's now about 13%. How did this happen, non-MF revenue, if I take absolute numbers grew 47% year-on-year. If I take out the one time contribution of Think360, it is still 30%, which is the very salutary number that we've been talking about an overall earnings compounding of 15% in non-MF should be growing in the 20s or beyond that. So, this was a great occurrence, 30% non-MF growth. In alternatives which has been a sweet spot for us, we went past two lakh crore or two trillion overall assets under management under administration numbers. And then CAMS KRA, which is a product where we were focus on mutual funds till about a year and a half back, we started planning a complete revamp of the platform and from a product perspective to stay ahead of the peers. And also to make a strong go to market efforts, all of that has done very well. CAMS KRA has grown almost 100% in revenue in the last one year 2Q. So, that's been a great story, too.

So, you have seen the financials highlight, you have read all of this, revenue is up 13.5% and EBITDA up 15.5%, EBITDA percentage at 44.5% is almost up 70 basis points up year-on-year. And then profit after tax grew 17%. So, overall, just a stock story across all key metrics, across businesses. Some of the stuff that's on the other chart, in summary I may have covered but I'll just go through this, transaction volumes you see was a historic high, crossing about 14 crore transactions in a quarter. Similarly, on the unique investor growth, we are now getting very close to three crore unique investors at about 2.83 crore. Equity gross sales again you see about 67% share in the market. But what stays back with us, gross is of, always gross of redemptions when you have net it out, that's a 99% share in the last quarter. 80% in this quarter, and again, this is a great number to have on our side. Of course, we have to continue watching. This is the cumulative impact of how our AMC and their schemes are performing in the market in terms of their relative share of sales. But, I would say a great number for us to have on our aside.

And similarly as you have seen the SIP Juggernaut continues to move in terms of overall SIP registrations in the market. CAMS individually is now registering anything between 60 to 65 lakh gross SIPs, in a quarter you see a number of over 30 lakh or 3 million net SIPs, this is net of redemption, net of SIP expiry and withdrawals. So, that's a great number to, we've never had a number as large as that and writing on all of this a live SIP share like you can see has grown from 56.1 in 1Q to it's grown about 0.7% per day in the September quarter.

Similar numbers when you juxtapose them with a market, I'm sure you've been watching these numbers closely. So, I will not go through this individually. But, overall equity share gain and equity net sales. Overall share has been a great story for us so has been the SIP collection and net SIP is registered. From a transaction volume perspective, you can see almost a 24% year-on-year growth, points to a degree of retailization when productions are moving faster than AUM and moving faster than revenue growth, but that's a great story again, because the middle of the pyramid and going towards the bottom is really where a lot of participation is welcome in these markets as individual transaction sizes and commitments by investors continue to become smaller. But that's a great sign of participation. SIP book, I spoke about that, grew about 24% year-on-year, 8% in the quarter. You'll see similarly live folios grew about 18% year-on-year and unique investors about 17%.

Systematic transactions process this is the SIPs that we trigger and collect grew about 13% on a year-on-year basis. From an overall and I'll give you a short commentary of each of these businesses. As you can see on alternatives, the story continues to be very strong and steady. We won from a full service perspective 50 new to CAMS logos in 2Q. Wealthserv now we have introduced, Wealthserv 2.0 which is a several notches and steps ahead in terms of digital onboarding and servicing of investors. Now, we have (+100) clients that we have been naming in the past who have now adopted our digital onboarding capability on AIF. Temenos Multifonds which is part of the fund accounting suite which we announced in the last quarter is now ready to take on clients. So, we expect to report this to be live and in service in about two months from now. We have also build out data beta limited launch of our first analytics platform WealthTrak which will aggregate data on the alternative side largely on AIF and then provide contrast just like we do on our backs of you versus industry for industry participants.

But also very importantly Fintuple which is done and we have told you in the past, we spoke work is near conclusion of a very large transformation in one of the top private sector banks, you will see some announcement come from us in December. So, this is the starting from the custody operations, this basically integrates every other component of the alternatives operating arena. And creates the ability for them to share data, onboard investors and just takes out all the wrinkles and creases from the operating setup. So, you'll see this announcement in December and as the platform goes through a formal launch, This is a very synergistic offering so whether it is video KYC capabilities from both CAMS and the Think360 and several other things including capsules or RTA operations for AIF, it blends in all of that and you will see some media and press from this is in December.

From a Finserv perspective, the great number is that we are holding at about close to 10% market share this used to be small single digit till about two to three quarters back. On number of live FIUs continues to expand and have crossed 50. And I must say that while this was thought of mostly as lending use cases in terms of small ticket lending, largely digital lenders, adopting account aggregator for creditworthiness of individuals. The other use cases are now becoming very popular. So, large broking houses are using this for F&O account opening for pulling bank statements. PFM used cases are now getting bolstered. Similarly, third party verification are use cases of now live in several of the brokerages and MS, etc. So, non-lending use cases are now kind of gearing prominence of course, this will happen over a few quarters or years, but it's a good first sign to see in the market.

From a payments perspective, we've continued to expand and do well. UPI, auto pay like we had said last time was continuing to get adopted and may become over a period of time as the preferred option for SIP payments and recurring payments for individuals. CAMS KRA, this is something that I alluded, and you may have seen some press and a lot of information on our website, etc. So, we brought out this 10-minute KYC solution where it enables almost instant onboarding from a brokerage Demat accounts and MF perspective with our very popular solution. And when you bring in all the components of technology that we've done, which is things like OCR and face match, Liveliness checks, et cetera which used to happen in a lacked in time kind of format, which is all now getting done quickly. The algos and the technology enables all of this. And that's what has enabled us to broaden out the offering to bring in both FinTechs and brokerages. It was largely a mutual fund focused offering, we were selling largely to MF, but we've gone beyond that. So, we've seen a 3x increase in monthly volumes, but importantly almost over 100% year-on-year revenue growth. This of course was on a small base, the base was larger. But we expect to see more growth in the coming 12 months, saw these operations stabilize, large customers continue to opt for us and then existing customers scale. We expect this to continue growing in the next 12 to 24 months.

From a repository perspective, you will see and this is now available in both. It is available in both the PlayStore and the App store utility called Bima Central, which essentially allows you to open an AI account and then start linking your policies but over a period of time, it will allow you to do various other things, including like you said making a payments as the regulatory precedents are received. To do learn marking, and borrowing money against your policies, single screen with all surrender values, etc. So, various augmented capabilities now this requires us to tie up with all the almost 50 odd insurers both in life and non-life. The good news is that the top five have now been signed up for this. Also, from an overall policy perspective, we are 40% up year-on-year in terms of eIA addition. And like we said there is sustained interest while the eIA was a relevant product for the life insurance sector now the non-life insurers are showing sustained interest on this. So, as we continue our journey, continue expanding the number of eIA accounts, maybe journey of opening an account frictionless, linking all your policies and then value-added services of the kind that I said, we will see a lot more interest of course we prerequisite to bring every insurer on board. That's a process that will take some time. But happy to report those are unique product, this is not available with any of the repositories today. And we are expecting to scale on the back of these capabilities of course there is no change in the overall regulatory position on insurance policies being pushed into Demat. So, that remains as an item which is under work, under progress but has not finally been declared as.

From a CRM perspective, we continue to make inroads into the POPs and some progress in the corporate segment. We continue to retain the number two position in A&P. And then from a Think360 perspective, we've continued to sell quite well, the three key products and that story is going well. From a intellectual property perspective the PFM module on account aggregators are fully built by Think and we have acquired several customers. Think has also introduced into the market a geo wealth index, which is able to take an address and through various direct and surrogate means is able to establish the potential wealth capability of the individual who resides or ranks in that place. And similarly, we are doing some work around generative AI and finding use cases in the market to be able to sell this profitably. So, that's the overall story on Think. Like, I said both from a algo 360 quick ID perspective, we continue to scale and find new relationships.

So, that's really it in terms of overall operating highlights, and what's happened to the different businesses in terms of scale, shares, volumes, etc. I will hand over to Ramcharan so that he can speak about the financials.

Ramcharan SR: Thank you Anuj. Just spend a couple of minutes on the broad financial numbers. And as Anuj mentioned, this was a strong quarter from revenue as well as from a profit perspective. So, revenue for the quarter was 275 crores, which was up almost 13.5% year-on-year and 5.3% quarter-on-quarter. The revenue last quarter if you recollect was around 261 crores and the last year same quarter was 242 crores. This was on the back of a smart growth in the AUM. And the mutual fund revenue, the AUM on a year-on-year basis grew more than 20% translating into MF revenue growth of almost 10%. And on a quarter-on-quarter the AUM grew by 8.7% translating into MF revenue growth of 5%. So, tracking this smart growth in AUM we have been able to grow the revenue almost in-line with the growth of AUM on a quarter-on-quarter basis.

The asset based revenue grew 9% and 6% on year-on-year, and quarter-on-quarter, we are at 202 crores almost of asset based revenue. The non-asset based revenue grew 13.6% year-on-year. We have seen some uptick coming in the applications that we run including MF Central and various other application and some platforms that we license to the mutual funds. So, that seen a good momentum and continued momentum on the revenue and there has been some increase in the call center to on both year and quarter, translating into a smart growth on a year-on-year basis of 13.6% on a non-asset-based revenue.

Currently, the non-asset based revenue per quarter is around 38 crores. Non-MF revenue, Anuj touched upon this, we have seen a good growth in our non-MF revenue almost 47% on a year-on-year bases, equalizing for Think analytics acquisition, which was not in the base, even then it's at 30%. So, we have seen what we have estimated a little ahead of what we estimate in terms of the non-MF revenue growth. And that's translating into the percentage of non-MF revenue being close to 13% for the quarter. On a quarter-on-quarter basis we saw an uptick of 7.4% on a non-MF revenue. If the non-MF revenue is currently around 35.5 crores of the overall revenue. So, we continue to see positive trends on this, especially on the KRA business, we are seeing stable to improve growth revenue from a AUM perspective. Payments is continuing to do well in terms of the ramp up that they are seeing in the number of transactions. So, all in all, we are on track to meet our targets in terms of increasing the pie of non-MF revenue.

The asset mix for the quarter is actually very favorable. The equity component which used to be around 45% last year is around 47.7%. And hence this translates into some benefit for us in terms of yield. On the yield commentary in the last couple of quarters or more than that we had indicated that there is a large contract that is being renegotiated after five years. And we had indicated some impact of that will be felt and during the last earnings call, we had clearly stated that there'll be some spillover impact in the current quarter post, which we believe that it will be business as usual. Happy to say that that's been the actual case and we have completed the contract and we are seeing some spillover impact of the marginal decline in yield in the current quarter. But going forward, our estimate is that we will not see any unusual yield moments and it will be illustrated to the impact of the telescopic pricing against for the foreseeable future or the next few quarters. So, that's the commentary on the yield. Hence, you will see a small decrease in the yield but we feel that the impact of all the renegotiations has already been considered and we do not see any big impact going forward on the yields, other than the telescopic impact.

On the profit perspective, backed by the growth in revenue as well as some operating leverage productivity and automation and some cost control measures you will see that we have entered the quarter with a 44.5% EBITDA, which is equal to or better than the margins that you saw in the earlier mini quarters. So, we ended the quarter with an operating EBITDA of 122.5 crores as opposed to 110 crores and 42.2% in Q1 of FY24. And last year we had 106 crores or 43.8% EBITDA. So, we are seeing an uptick in the margin, as well as the absolute number in terms of the operating EBITDA. Which is translating into a margin growth even from PBT and PAT perspective and for the quarter our PAT percentage was close to 30% at 29.7% with a PAT of 84.5 crores. Again trending upwards in terms of the margin percentages reflective of our cost control as well as the operating leverage that we feel is flowing into the bottom and in spite of small depletion schemes that we are seeing at the top line.

Our return on net worth continued to be impressive at more than 42.4% percentage and we ended the quarter 30th September we had a cash and cash equivalent of 528 crores. This was after the payment of a dividend of 98 crores during the last quarter. And the board was pleased to declare an interim dividend of Rs.10 per share in their meeting yesterday, for which the record date is announced on the 17th. So, this, when you see the trend going forward also, when you see the trend in the later part of the presentation, you will see that the margin trend as well as the revenue and the PBT percentage absolute numbers are seem to be trending upwards, which is reiterating the commentary that Anuj and me have given in terms of this being a strong quarter and looking forward to maintaining and a minor improvement in margins going forward, as we think we have seen the worst of all days over in terms of the yield compression over the last few quarters.

So, this is the commentary I had on the revenue and profit numbers, I'll hand it back to the moderator they can open it up for questions.

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Mr. Santosh Keshri from Keshri Finance. Please go ahead

Santosh Keshri: So, I had just one question when you say that telescopic impact of the revenue negotiation what exactly you mean by that, I do not understand the term telescopic?

Anuj Kumar: Sure. So, let me just try and explain that, the pricing structure that we have with our mutual fund customers is actually scale based, which is that there is no single bps rate that we charge for the assets under management. So, we broadly divide this and while the rates may be different for different customers, the structure is broadly the same for all the customers. There are asset class based bps that we agree upon, for example equity, debt, liquid and others or ETFs, PASS, etc. So, for example, take the equity, the rate of which that we arrive at for a particular customer is not the same and as the AUM keeps growing, for example if you had a 5000 crore AUM of equity assuming that your bps was say seven bps, if you get to the next 500 crores the rate will fall from 7 to 6.5 bps. So, as you grow in AUM the marginal billing that we do or the marginal cost for the mutual fund customer keeps decreasing, This is an deliberate inbuilt structure that is there in the pricing agreements with our customers, to ensure that the benefits of scale gets passed on to the customers without them having to come back to us every time that there is a big growth in assets. So, typically, what we see is, as the assets keep growing for the mutual fund customers, if your asset growth to say 10 then my asset fee growth is generally between six and seven, which is that we have a 30% depletion that generally happens, sometimes 25%, sometimes 30% that happens between the growth that you see in the assets versus the growth you see in the asset fee, which is what is called the telescoping pricing structure.

Santosh Keshri: Then what exactly is meaning of telescopic in fact, the grade wise increase or decrease is not going to happen anymore?

Anuj Kumar: No, sorry what I said was, barring the telescopic pricing impact because the rates generally go down because of a #A telescopic pricing because of any renegotiation, large renegotiation that happens on the base rate itself with the customers. We had indicated during the last few quarters that large customers contract for the last five years was renewed just now with a decrease in rates. What we indicated was, the impact of that will not be felt further, the only impact you will feel will be the impact of the telescopic pricing.

Moderator: Thank you so much. The next question is from the line of Mr. Sanil Desai from ICICI Securities. Please go ahead.

Sanil Desai: My question was related with the yield movement as you said that there was some effect of the yield reset in this quarter. In a way going ahead also in this quarter, we also saw a big AUM jump. So, part of the impact would also because of telescoping and part of it would be because of the yield rest, any color which you can share on the extent of decline that we have seen in this quarter because of the yield reset, which will give us a better idea about what to take the yield assumptions for the coming quarters and also the year ahead?

Anuj Kumar: So, the way to think about this, you saw a 20% AUM expansion Q2 to 2Q, last year to this year. Normally, you would have seen about a 14% to 15% revenue growth, what you saw is about a 10% revenue growth. The 15 minus 10 is perhaps the broad equivalent of what you are asking for. If we did not have that onetime adjustment, then we would have delivered the 14% to 15% on the overall asset growth, which was only 10%, the 15 minus 10 is then approximately the impact of whatever we are talking about.

Sanil Desai: Understood. So, going ahead, it will fall back to our historical way of decline which is in line with the telescopic thing right?

Anuj Kumar: That's correct. So, if assets let's say in the next 12 months grow 20%, there's no reason that revenue will grow only 10% revenue should grow 14% to 15%.

Moderator: Thank you so much. The next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Sir, just a few questions, first if I look at your non-asset based mutual fund revenues, this quarter, on a quarter-on-quarter it seems to be on a flattish side, given that there are a lot of activities going on in the mutual fund space in terms of be it NFOs, or market being buoyant and so I would have expected that mutual fund at least spending a little bit more on the spreads. If you can give some color on that, that's question number one. Question number two is, on your non-MF revenue so if I chip off the KRA business, and look at the other businesses from a momentum perspective sequentially. Like if you look at the Think360 over it has seen relatively flattish down on a Q-o-Q. So, the other businesses have also been not that great in terms of momentum of take on the revenue side compared to let's say, the client variant or logo variant for business expansion sir. So, I just wanted to get some color on that. Lastly, in terms of expenses, can you give some color on incremental cost that we need to incur on the new businesses and what sort of trajectory should we all see on that?

Ramcharan SR: Thank Dipanjan, I'll take the question on the non-asset based revenue as well as the expenses and I will request Anuj to comment on the non-MF business. See on the non-asset based revenue, that there are four components, major five components major of it, which is the transaction based, the miscellaneous application based the call center. The NFOs that we built for and the out of bucket expenses. What we have seen as a trend is in the last quarter, we have not seen any big increase in the transaction based as such from a paper transactions perspective. What we have seen is some moderate increase has happened from a call center, and from a miscellaneous application perspective. So, while year-on-year we do see a good increase in terms of revenue, quarter-on-quarter it has been flattish, what we expect is and again as I was earlier mentioning, we do not expect the non-asset based revenue to kind of propel any growth for us or to propel any profit for us, because basically the transactions being up or down does not increment or incrementally impact the profits. So, would assume that they will be static within the same level that we are seeing now. The only upside that we could see is some increase because of the MF central related revenue that is paired with the application base. That's the only increase that we could probably see to be profitable growth in this entire bucket that we see there. because of some reasons in terms of regulatory issues and all those things should go up and come down to crore here or crore there. But all those things are compensated by increase or decrease in revenue. So, that's the reason for the non-asset-based revenue remaining static on a quarter-on-quarter basis. From a expenses perspective, the major expense increase that you will see will be the salary expenses, even on a year-on-year basis my entire salary had increased by 7.6 crores and that includes the salary impact that we have given an April which is more than six crore. So, we have been remarkably disciplined in terms of adding manpower or regulating the cost from a manpower perspective. It includes the ESOP cost increase, it includes the Think Analytics cost, everything put together on a year-on-year basis we have increased cost and salary to the extent 7.6 crores. So, we feel that going forward, there will be stable cost that you will see, in fact our quarter-on-quarter basis if you see the increase in revenue is almost like 13 crores, and the increase in EBITDA is 12 crores. So, that could not be replicated every quarter going forward, we feel that the incremental cost will be measured, and we generally expect 50% to 60% of the increase in revenue to flow down as the EBITDA in a normal quarter. So, from a fixed cost perspective or from an operating expenses perspective, operating expense generally remain at around 7% to 7.5% of revenue. Definitely less than eight that's what they will continue to remain if you remove the OP part of it. With OP they will be around 12%, the trend has been remarkably stable across the last many quarters that we have seen. The employee expenses as I said, since we were able to cover, we are in fact seeing a downward trend, it's a little more than 34% of overall revenue and your fixed expenses even on a quarter-on-quarter basis you have seen this decreasing and a couple of quarters back there was a concern raised regarding why your fixed expenses gone up. And we set expectations saying that you will see this is the peak and you will not see a lot of increase other than inflation driven increase going forward, that's what it played out the last couple of quarters too. I will kind of wait for any questions from you on this or Anuj can probably take the question on the non-MF front.

Anuj Kumar: So, on the non-MF revenue, while we have stated that overall year-on-year growth is 47%, netted for the one time Think analytics revenue which started accruing in the first quarter that's about 30%. You are right in this quarter KRA has really driven a lot of this growth. Now, last quarter also KRA driven growth this has been a substantial quarter from a CAMS KRA contribution perspective. However, from our overall sales focus and signings pipeline, etc. We are very sure that the others, which is CAMSPay, Think360, AIF and insurance will be large contributors in the coming two quarters but in this quarter, you are correct the large part of non-MF increase outside of Think has been driven by CAMS KRA.

Dipanjan Ghosh: Sure. Sir, just if I can ask two more follow up questions, one on your AIF side, on an incremental sign ups your competitor highlighted that they have moved from a flat fee based slab to more of our AUM linked class, the ICICI Mutual Fund, just wanted to get some color on whether you have also made some changes on that part. Second, is more of a structural question, let say in this quarter for example mutual funds, or last two quarters mutual funds have seen very sharp growth in AUM and some of them have seen change in slabs for themselves on the gross TER side. Your contract more from a two, three-year perspective. So, when they say change in slab, is it like a direct translation that you have built-in in the contract or how does it happen or do you expect pre-negotiations to be much more frequent is this sort of market trajectory, let's say for hypotheticals?

Anuj Kumar: Sure. So, when you take the first part another AIF moving from flat pricing, to a bps pricing, we are not seeing that and you must, I'm sure you appreciate that the market if I just suppose what it was two years back to what it is now, is a lot more competitive there are a couple of global players who are competing, the domestic both us and our key competitor. So, also of the ante, so in that kind of competitive scenario is not easy to change a pricing paradigm. The current pricing model works well for us. So, it is continuing the way it is. No large changes, we are not reporting any large changes. On the mutual fund side, just think of these as two separate trains. And how do those two separate trains move, mutual funds when they grow, they will charge as per the TER slab, but TER slab can continue falling from about 2.25% all the way down to let's say one and some change. So, that is something that the mutual fund experiences. What we experience is our pricing contract with them, which says that the telescopic impact, I'm just throwing a number may not be very accurate, let's say the telescopic impact is 2%. So, we will see our contraction irrespective of what change in fees they are undergoing. Are they using the argument of their change in slab and their change in fee to negotiate something else, with us the answer is no. While they are seeing, I'm sure there are many schemes which have crossed over to higher and higher slabs. It's also a fact that our telescopic methodology keeps rates at very, very affordable levels, but it's not a 1:1 mapping between what they experience and what we experience.

Dipanjan Ghosh: Got it sir. And if I can only one question on the account aggregator side have rates stabilized in the pricing, or how is the pricing pressure of that, that's all. Thank you.

Anuj Kumar: They have stabilized, the rates are maybe 20%, 25% of where we had started. So, they have stabilized to a certain level. Competition of course in both A and PSP is intense. But, we are seeing some stabilization of rates.

Moderator: Thank you. The next question is from the line of Mr. Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: So, coming on the AIF revenue piece, so if you see the overall AUM growth in the AIF segment that has grown materially during this quarter, but since the revenues have not grown, have remained broadly flattish on a sequential basis. So, do we expect that from this growth in the AUM the revenues could come up in the coming quarters, that was the first question. And second, like you mentioned because of the renegotiation happening there were some kind of pressure on the revenue yields. So, what is the pipeline over the next 12 to 18 months, is there any major contract negotiations going to take place with our mutual fund plans?

Anuj Kumar: Correct. So, from an AIF perspective, we've seen a steady pipeline of filings. And therefore yes, we are expecting that the growth numbers that we've been reporting in the past should be back in the coming two quarters, we are quite confident of that. The AUM does continue to grow, every pricing is not AUM link, a lot of it is activity link pricing, But that notwithstanding we are seeing significant growth coming back in the next two quarters. From a MF perspective, you can see that we had stated that there was a large contract where we were resetting prices, because of some historical context, that exercise is now over in the second quarter. There is nothing major which we believe and that was like once in a 10 year event. And you've seen that we saw price depletion in a sustained manner for about four to five quarters, in the next four to five quarters we did not see any event like that happening again. So, like Ramcharan said, you can expect a marginal small telescopic rate lead depletion, but nothing major from a price association perspective.

Lalit Deo: Sure. And sir just last, one data question you mentioned, a clarification you mentioned that the fixed expenses will be 12% of our revenue will be below 12% of the revenues, or was it something else?

Anuj Kumar: Sorry, can you just repeat your question please, sorry.

Lalit Deo: Sir, the other fixed expenses, like as you mentioned that the operating expenses will be like we are doing but below 8% of the revenues and then there was some 12% of the revenues. So, I just missed that part.

Anuj Kumar: What we mentioned was operating expenses if you take the out of pocket expenses, which was included the operating expenses as well as in the revenue, if you just do a division of the two, it comes to 12%. But if you remove the out of pocket expenses from the numerator and denominator just from the sales as well as the expenses, the real operating expenses that you incur, which is mainly some data entry cost, the sponsor bank charges that they do for the payments businesses, and some things like that, the amount will be less than 8% is generally between 7.5% to 8%, that was what I was mentioned on this 12% and 7%.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: I joined a bit late so some of it could be repetitive, sorry for that. So, first question is that, on the non-MF side there is little bit of volatility on the insurance, if you could explain that first. And secondly, let's say on a 12 month basis, is there a visibility could be the growth all of these businesses put together, we are delivering somewhere close to about 20%, 25% so does that run rate still hold when you look forward one to two years. Second question is that, when we look at the overall EBIT margin at around 40%, is it possible to kind of break it down, how the RTA business is doing and the rest of the business is doing. And the related one is that, are we largely done on the investment front on the non-MF businesses so from here on the translation of revenue growth to bottom line as Ram sir mentioned earlier, that should kind of continue as well?

Ramcharan S.: Sure. So, on the insurance side while we have been reporting growth in eIA accounts and policies, you are aware that there's a large fraction of the revenue which still comes from outsourcing services. In our persistency operations, there was some fall off from last year to this year, which is why you've seen a small diminish in the overall insurance revenue. From a long MF perspective, we've stated that we would like to grow 20% in revenue terms. And right now for the next 12 to 24 months, we'll be just holding that number, we expect to grow +20% in the overall non-MF portfolio for the next one to two years. So, we are holding that number. On the third part of the EBIT, so Abhijeet on the EBIT part of it. As a bucket, the non-MF, if you kind of combine the non-MF versus MF, that was your question in terms of what will be the split between the two. See, your MF EBIT is obviously on the highest side, it is much higher than the 44% EBITDA that you're seeing there. But having said that, if you look at the single bucket non-MF might be less but within that AAF is also equally profitable, and CAMSPay is reasonably profitable. So, non-MF, MF, yes MF was higher EBIT than the remaining things. But within non-MF there is a pocket like AAF or payments which continues to be very profitable. So, that's basically the numbers how they pan out. Our KRA is actually very profitable. Now KRA is a platform based business, so that possibility is really high. So, that's how it breaks up.

Abhijeet Sakhare: And that 20% growth rate on the revenue front for non-MF, does that deliver even better growth rate on the EBIT or EBITDA front?

Ramcharan SR : It will for sure because, as we said from an insurance perspective, or from payments the platform is ready. And the incremental policies that come on board and the Beema Central, if it goes in a minute goes live this quarter and start getting some traction from a revenue perspective. We feel that it will be accretive to the EBITDA and hence as a business, both insurance and the payments business could see some uptick in margins, insurance definitely, payments maybe.

Abhijeet Sakhare: Got it. And last one, the core RTA business from a OPEX front. There is nothing like a lumpy expense in the pipeline, like all the cloud tech related expenses, regulations, all of that is behind us right?

Ramcharan SR : So, yes, that's right from OPEX perspective, we do not see a big lumpy expense that needs to be done from our side. However, if there is a big project that we are doing from a technology perspective, we would probably have to think about it and that, so that will be more long term. So, in the immediate a few quarters from OPEX perspective, we do not see any lumpy expenses that is going to come to you, although regulations do continue to come. In fact, even from a KRA perspective there have been regulations on segregation of infrastructure and momentum to cloud, etc. But we are confident of keeping those things under check and you will not see a big lumpy expense that's coming in.

Moderator: Thank you so much. The next question is from the line of Mr. Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Firstly on the core business, we see a lot of strict addition coming in from the Fintech platform, and the transactions that we are doing are coming in from FinTechs more than or year where we do a lot of paper weight transactions. So, do you think, does that incrementally contribute in any form to the revenues apart from the AUM that they add or how much of our revenues would be kind of, have some linkages to the number of transactions as well any clarity there?

Anuj Kumar: So, Prayesh think about this way that, that train has been moving for many years now, think of it as having been moving for the last five years. We have single AMCs whose paper transactions are in single digit, which means that digital electronic is 90, 91, 92, 93 that kind our cross portfolio level paper is 12. So, 88% is non-paper, paper like we've said is revenue accretive, but not margin accretive, it also creates risk because once we digitize the paper then everything else remains identical in our system, the process of digitization takes effort, cost and it reduces the form. So, we are very happy with the way things are, also do remember that the FinTechs have brought unprecedented scale to this market, the scale was not available to the market and the traditional distribution paradigm, the FinTechs have brought scale and have brought target sizes which are much smaller. So, overall if you see, we do book revenue from paper transactions which is not a very large number and even if it is drying up, pilot is drying up for the last, as long as I can think last seven, eight years every successive quarter it would have dried up but the scale, the efficiency that it brings into the system is accretive to us and takes out a lot of labor and a lot of risk. So, that's a positive movement for us, the revenue fall off is a very small sacrifice to bank.

Moderator: So, what I'm saying is, Rs.100 SIP will still get you, fetch you a 3.5 basis point yield and same say Rs.1 lakh to buy an HNI who will fetch you the same yield, is that the fair way to look at it or is there some or from a cost angle both would require same amount of effort or from your side or is that the right way to think?

Anuj Kumar: Yes, absolutely. That is a right way to think, that from an AUM perspective the Rs.100 SIP will be much smaller, it will take a long time to create a mass. An HNIs Rs.1 lakh SIP will be very different in character because it will create AUM much faster but think of the Rs.100 SIP to be coming in millions, while the HNNI SIPs will be a few 100 or a few 1000s. So, when you see the scale we have crossed now 10,000 crore of net monthly SIP collection at just CAMS level, during the COVID phase this number used to be four. So, in less than three years, we are almost 2.5x. That kind of scale has been built on distribution and built on, this creation of small sachets is not built on HNIs part of the patient in this market as you can see. So, that's really the right thing for the market, it's going in the right direction.

Ramcharan SR: The only thing I'll add to your question is Prayesh, is that the process of this SIP collection trigger is largely automated. So, if your question is whether you will incur the same cost, is the incremental cost it will incur and hence Rs.100 is not very beneficial to you. The process is largely automated and hence, that should not be a big part in this.

Prayesh Jain: Got that. Okay, the other part was on the account aggregator piece, we're hearing that the PSU banks are still finding it challenging or apprehensive about coming on board on the account aggregator platform. And so what's your sense there and earlier, whenever we used to interact, you said that FY24 we will have much more clarity about when this account aggregator will start contributing to our revenue stream. So, any thoughts on these two aspects of the account aggregator business?

Anuj Kumar: So, for participation perspective, every PSU bank is on board, each one of them. In fact, most of the private sector banks are on board, the smaller regional rural banks are coming on board, what you're observing, but you're partially correct, what you are observing with public sector banks is that they may not have built the capacity, or the finesse in technology for data transmission to be 100%. So, if we send 100 requests will all 100 get answered, the answer is no. Typically in a exchange like this 60 to 70 should get answered if you are answering only 10 or 20, then there is something wrong with needs to be fixed. So, there are small incidents of that kind, but from a signing and formal participation perspective, all of them are there. We are seeing signs of revenue and that revenue will be this year would be maybe a few crore rupees. So, it could be a two, three, four crore rupee number as we progress, but it's a good number to have because it's the beginning of the revenue stream. We are pushing through transactions, we have integration charges and signup charges so all of that is happening. Of course, like we told you that price depletion has been almost 80% what used to sell for Rs.10 is selling for Rs.1.50 and Rs.2 so revenue has contracted to that extent, it still remains a very exciting market. The good thing to focus on is, how many used cases are emerging for how many physical, actual labor intensive processes can you find a substitute through account aggregator, like I said, whether it is a small ticket digital lending, whether it is account verification, part of the KYC process, NFO onboarding, third party verification of bank accounts, there are multiple users. So, if you keep your eyes on that, you will find that slowly the manual process will get phased out from the country and the revenue scales will be much larger than what I'm talking about right now.

Prayesh Jain: And last bit on the EBIT margins, you mentioned around that, there are the non-MF businesses are at lower margins as compared to the MF businesses. But some of them are doing reasonably good margins but any of these businesses that can scale up to the levels of the MF business margin, say in the next two or three years, any thoughts there?

Anuj Kumar: Sorry. So, I will just give you one example that wherever we have achieved a platform capability, which means I have hundreds of small users plugging into the platform, I don't have to deploy too much labor, a new development all I need to deploy is storage, servers, connectivity, ability to manage API's, businesses start delivering 40% EBITDA, a great example is our KRA business, which is delivering that margin as of today. After the recent scale up, our AI of business is a very close to that margin. So, they are very close to the MF margins. Payments has undergone some pricing pressures, et cetera recently, so maybe a little low, but as payments grows let's say another 30%, 40% in size it will start mirroring these numbers. So, the good thing about the business and so the insurance repository be. So, you can think that as a business I don't have to scale it to 100 crore, as I scale a business to let's say 25 crore of revenue, 20 to 25 crore, it is possible for that business to be at 40% margin. And we are seeing that in MF, we are seeing that in KRA, we are seeing that in AIF, and the ones to watch out for our let's say payments and insurance where you'll start seeing similar character, maybe three or four quarters from now.

Moderator: Thank you. The next question is from the line of Mr. Jeet Suchak from Nuvama Wealth Management. Please go ahead.

Jeet Suchak: So, for mutual fund business transaction volume grew year-on-year 24% and Q-o-Q 10%, so how is it contributing to revenue or cost if you can give me an idea about that?

Anuj Kumar: Most of this is digital volume, most of it is digital volume. If you say we do about 60 crore transactions in a year 55 to 60 crore, over 80% of this is SIP triggers and that's a completely digital process from the time we collect all the information about the SIPs being live, to do a KYC check of them, to placing them with a sponsor bank, NPCI, et cetera to collect the payment, to create the units it's completely untouched by hand. So, there was no real cost implication there, I used to trigger let say two crore SIPs, a few years back I am triggering four crore, I could also trigger eight crore but the quality of processing that we built and automation is not really cost accretive, from time-to-time we will add server capacity and storage, et cetera but there's really no labor in this which is managing anything.

Jeet Suchak: Okay. And any increment in revenue for the transaction volume?

Anuj Kumar: So, generally, most of the digital transactions, triggers, SIPs, et cetera do not result in any incremental revenue also, it's only the paper transactions that generally are giving us revenue in terms of per paper transaction being processed. So, these could not have a large impact on revenue and cost.

Moderator: Thank you so much. That was our last question. I would now like to hand the conference over to Mr. Ramcharan, CFO for closing comments.

Ramcharan SR: Thanks, Sagar and thank you to all the participants for your participation in the call and the continued interest you are showing in CAMS. Please feel free to reach out to either Orient Capital or Shri Anish Sawlani, investor relations for any questions that you may and Anuj and me are also reachable in case you need any clarifications. So, once again thank you for being part of this call.

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.