"Computer Age Management Services Limited Q1 FY '24 Earnings Conference Call"

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MANAGEMENT: **MR. ANUJ KUMAR – MANAGING DIRECTOR – COMPUTER AGE MANAGEMENT SERVICES LIMITED**
MR. RAMCHARAN SR – CHIEF FINANCIAL OFFICER – COMPUTER AGE MANAGEMENT SERVICES LIMITED
MR. ANISH SAWLANI – HEAD OF INVESTOR RELATIONS – COMPUTER AGE MANAGEMENT SERVICES LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Computer Age Management Services Limited Q1 FY '24 Earnings Conference Call organized by Orient Capital. We have on the call with us today, Mr. Anuj Kumar, Managing Director; Mr. Ramcharan SR, CFO; Mr. Anish Sawlani, Head, Investor Relations. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nachiket Kale from Orient Capital. Thank you, and over to you, sir.

Nachiket Kale Hi, good morning, everyone. Welcome to the Q1 FY '24 Earnings Conference Call for CAMS. 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'd like to give a small disclaimer that this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date. 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: Okay. Thanks, Nachiket, for making the introductions. Good morning, everyone. I appreciate all of you joining this earnings call for the first quarter of the current financial year. We also expect that you have the opportunity to download the presentation either from the website or from other available places and that you have a copy readily available that will you'll be able to reference. I will certainly call out the charts that I am intending to cover while we go through this presentation.

I will start by talking of the overall macro picture in terms of what's happened in 1Q. I am on Chart number 6 of the presentation. You may have noticed that CAMS won RTA mandates, 2 RTA mandates in the first quarter, one from Angel One, the other from Torus Oro, both of them are new to industry entrants, both have applied for a license or in different stages of obtaining that license. This then takes us to a position where CAMS has won 4 of the last 6, like you may have noticed, of RTA mandates coming from new mutual funds or applied for a license. It's a great vindication of the belief the market has in our capabilities, when it comes to our position. And obviously, it's a key highlight for the quarter.

Another noticeable thing apart of these wins that happened was, again, you may have noticed because these are public figures, that our share -- annual share of the market kept up from 68.3% to 68.7%, largely riding on net sales in the quarter, and I'll cover this later in detail as we skip to the main section after up and down with this. On Alternatives, overall, we had a solid 19% year-on-year revenue growth. And coming on the back of 2 previous successful years, I think this quarterly growth, it is again just sound testament to the belief the market has in our capabilities. Overall, 27 wins. I'll go to the link in just a bit when we come to that section. But overall, 27 new wins in the vertical we recorded between the CAMS team and the Fintuple team together during the quarter.

If I move forward on CAMSPay, which is our payments service, we saw a 25% year-on-year revenue growth. So 2 of the non-MF businesses, Alternatives grew 19% on the mark of 2 years of -- previous 2 years of solid growth in revenue in the business; Payments grew 25% year-on-year. And overall, from a share perspective, and from an offering perspective, digital footprint and offered through API, E-mandate, and specifically, UPI autopay, which we believe and the market believes will, over a period of time, become the accepted way of paying for FIPs and other various forms of recurring payments. I think there's significant success in expanding our reach and kind of establishing the offerings among the clientele form a CAMSPay perspective.

CAMS KRA, which traditionally for the last -- almost a decade sold to and serviced mutual funds. That was a core franchise. The last about 1 year, we attempted hard to break into other segments. What are the other segments? Other segments of the capital markets, fintechs, brokerages, those 2 essential. And further break-in, I think has been successful, 40%. Of course, 40% year-on-year revenue growth in CAMS KRA, emerging, of course, the solid underpinning of the mutual fund growth anyway is there. But I think the large part of the growth comes from the fintechs and brokerages.

You may have also seen some focused PR and releases from our side on the 10-minute KYC, which is essentially an industry-first, an AI-embedded solution, which helps us onboarding in consumer within 10 minutes, to become investment ready and takes away one of the control scales that industry had for a long time and obviously allows selling entity as in a mutual fund and brokerage to turn around an account very quickly and get the investor to start participating.

Rep on insurance, while you know that any final decision on dematerialization of insurance policies is still not firmly out, so we don't know this. There is no firm announcement yet. We continue to wait. I think overall, we saw almost doubling of both EIA accounts and insurance policies, almost unilaterally done between us, the manufacturers and individuals who are buying insurance. So there was just that momentum. It is not momentum driven by regulation. So good numbers. But of course, we continue to wait for them.

I'll slip forward on Think360. Two of the major callouts that this was an investment we had announced in March, concluded in April of this year. So essentially, the first concluded quarter for Think360 to be part of the CAMS Group. We won a contract. This is a third PSU bank. These are extremely competitive, hard fought bids.

The third bank, between Bank of Baroda, Central Bank and Canara Bank, has adopted Kwik.ID as a product for a video onboarding and video KYC. Video KYC, as you know, is fast replacing traditional most of KYCs in banks. And of course, the volumes there are different to what we see in capital markets. So the third PSU bank who had adopted this. And additionally, for our alternative credit scoring product, which is Algo360, we won mandate from SBI cards, one of the top 2 issuers of credit cards in India.

Amongst the many other wins, but I will not talk of everything. Kreditbee also is one of the top 5, 6 lending fintechs, , chose to opt for Algo360.

From an account aggregator perspective, the space continues to bulge. I will talk a little bit more on the specific product and business chart. But 25 overall new sign-ups. And then you must see some focus here from our side, CAMSfinserv during the Technoviti Awards. This was -- Frontiers award for one of the use case for unique Bank Validation.

On NPS, we continue to retain the number 2 position in eNPS. Makes inroads into the POP and corporate segment, almost 48% to 50% of new subscriptions into NPS are coming from the retail POP channel, of course, in eNPS, we continue to hold the number 2 position.

On digital, I think continuing good story. CAMS digital properties continue to climb, about an 8% quarter-on-quarter growth. myCAMS now at over 6 million registrations. And MFCentral APIs, you know that, while the business MFCentral, you can also use the utility in a indirect way through a lot of RIA and fintech kind of partners, over 1.5 million hits on the API side, which is a great multiplication of the API architecture. And that mode of users growing and getting accepted in the marketplace.

It was also a very solid, I would say, very satisfying quarter from an awards and recognition perspective. A lot of this you've seen. Ramcharan, who is here with me, was recognized as one of the best CFOs in the country in a specific segment.

Business World awarded us the HR Excellence award, especially for our work towards employee communities. This is an initiative taken internally over the last about 1.5 years. We won the ET Datacon award. And then I spoke about the Banking Frontier's Technoviti award for CAMS FinServ. Also again, you may have noticed -- very exclusive recognition. Think360 became the only India -- the only Indian company to be recognized by Fintech Global in the list of the top 100 global fintechs. So there was a list of top 100 global fintechs. The only Indian company to get recognized, I think. Like I said, you have noticed some of those.

I'll move on to Chart number. 8. And while spoke about market share expansion of 68.3% to 68.7%, what made this happen is a set of foundational metrics instead of metrics which don't just influence the current quarter, but are likely to influence future quarters and future years. And I'll just talk between this chart and next, about 3 or 4 of these key ones.

What you see at the bottom is essentially the flow or the net sales market share. So stock-to-stock Flow at the top of this. On equity, this market share, you can see in the bar chart, it was 73% in the last quarter and went up to 99% in the current quarter. And of course, we're not expecting 99% to repeat itself, but for a quarter, a fantastic number. 73% is also not a bad number, a great number too. So this grew 99%. And this incremented flow, obviously, is a contributor to the market share going up.

Similarly in debt, the share went up significantly as you can see, again, from 37% to 78% debt net sales. So foundational numbers, they have to hold out for a quarter or 2 more. But I think from a quarterly perspective, just gave significance to the overall AUM market share. When you see transactions, that's a good story, too. We are holding out very well from about 124 million in the last quarter to about 128 million, so that's almost 0.5 crores quarter-on-quarter growth on transactions.

And when you see unique investors, we added almost 9.6 lakh investors during the quarter, a much larger number than the previous quarter. But again, a large number of unique investors with the net sales flow. In equity, greater net sales flow in debt and an expanding market share in all those places, I think, is just great vindication to what's happened in the market. But it's also foundationally a solid debt, which should continue helping our business in the trailing quarter.

I'll slip to the next and -- what you can -- on the chart you can see to the Chart number. 9. Again, I'll talk about volumes and shares. New SIP registrations. You know that this is 1 single metric, which is really represented the middle and border of the pyramid participation in mutual funds in India, growing quite well.

If you see absolute SIP registrations from about 40 lakhs to 47 lakhs, 4Q to 1Q. But again, significant increase in share, 62-and-some-change growing to 65.2%. So in terms of share change in new SIP registration is almost 3% up. And again, a foundational metric, which people will continue to contribute into our share of the industry for many quarters to come.

Gross sales, similar track. Of course, the growth isn't as big as 3%, but you see gross sales moved up from INR24,600 crores to about INR25,800 crores. So almost over INR1,000 crores up, and a share almost 1% up from 58.8% to 59.7%. So all the last 4 or 5 things that I've shown you, net sales on equity, net sales and debt, absolute count of MS investors, SIP -- new SIP gross registration count and gross sales and SIP, which is great metrics in terms of foundational activity.

Similarly, you see live SIPs growing from, whatever, 3.5 crores to 3.73 crores. New Folios has grown to almost, in terms of being at 65%. And like I said, these are both operating metrics and financial metrics.

I'll move to next quickly. I have spoken about this, so I will not dwell for too long. 68.7% market share, up from 68.3%, largely driven by what's happened in equity, where you've seen -- if you see the bottom part of the right-hand side, in equity, our year-on-year growth is significantly ahead of industry. Industry at 19.5%, CAMS at 22.9%. So that's almost 3.5% up year-on-year. Similarly quarter-to-quarter, almost 0.6% up. That's really the defining trend, which will kind of change things for us in the last quarter.

Move to the next, please. And again, I will not dwell for too long on all of this. You've seen it across the board year-over-year, high double-digit growth. But also I think quarter-on-quarter, any growth which is upwards of 4% to 5% is significant in terms of -- given a full length to the ensuing quarter, which we will see in the current quarter. So overall strong, point north and all green for the next year.

I will quickly stop by maybe for a minute each on the next 6 charts and give you any commentary that I've not given you yet. We spoke about the 19%, revenue growth in alternatives coming on the back of 2 previous successful years. Just in terms of counts, and these counts continue to grow. Over 400 unique funds are serviced by us, almost 150 fund houses.

So a lot of repeat purchase happening there. Almost INR1.75 lakh crores of assets under service, which is a large part of the current outsourced market. Digitally, over 90 installations of CAMS Wealthserv counts -- we're about to announce version 2.0 of this product, to be in the market soon with an expanded suite of capabilities.

But in the last 2 years, almost at the rate of about 1 a week, 1 every eight days. We've got these installations as some of the funds, both the MF and AIFs. Almost 25% to 30% of the new traffic now comes digitally, which is great a vindication to the adoption of the market has done overall, -- we often continues to remain bolstered.

I do want to call out that we have chosen to go ahead with a very -- I would say, well accepted solid robust platform called Multifonds. This is a product of Temenos. And the reason we brought it here for our own use and for the use of our clients in GIFT city, but also outside of that is that for multi-country, multicurrency kind of fund accounting, we wanted the best in breed to be offered to consumers, which is what we've brought it now and everything is done is now on offer to our clientele. And on between CAMS and Fintuple, we continue to be the digital transformation partners for the alternatives industry.

Our total account aggregators, 25 new wins during the quarter. We were also the first account aggregator to go live with mutual funds. Mutual fund data is now available. And you can try some of those downloading your own portfolios here in South. The industry is growing. Very, very different use cases are emerging, so Multi-FIP Consents, Single journey. You know that in the world of digital and fintech, journeys are very important. You don't want a consumer to repeat a step 2 times. You don't want them to give 2 OTPs. You don't want them to do more clicks than it needs to. So single journeys supporting multiple flows. So all of this was getting offered in the marketplace.

We now boast for best-in-class amongst the Bitsight score. And I spoke about the Technoviti Award. So doing pretty very well.

On CAMSPay, I'll slip to the next chart, Chart number.14. Over 50% market share. I think this is the built brick by brick when you see the mutual fund ecosystem for recurring payments, RP, recurring payments. I think brick by brick, we brought all those to work for us. And not just in mutual funds, we have expanding share in NBFCs and insurance too, but mutual funds is a significant milestone, so we are following it out. You see a lot of numbers there. But what I want to call out, what I said was 25% year-on-year growth overall in terms of revenue expansion.

And then a significant digital footprint. UPI autopay becoming almost a pioneer product in the market, but through API, E-mandate, etcetera, consistently broadening -- consistent broadening of the offering, which has led to the success.

CAMSRep. I said that we don't have yet a firm outlook on when we the mandatory will happen, but 5 million E-insurance policies. Insurance policies and E-Insurance accounts almost 100%.

We continue to deep tracing product across the industry in terms of finding the beneficiaries of unclaimed amounts and working with the industry with almost INR1,000 crores book for processing this. And of course, in the market -- should be in the market soon for the digital loan assignment production.

On CRA. I've spoken number 2 position in the eNPS sales, about 6.5% market share. Almost 50% of our throughput now coming through the POP route. So action has begun there and expect to report growing numbers and be more.

On Think, there's been a very, very, I would say, credible set of wins. We spoke about Canara Bank for Kwik.ID, and we spoke about others, including Kreditbee and SBI Cards for Algo. But overall, we see that significant growth across product lines amongst clients, very well recognized overall in the marketplace. And then from an overall footprint perspective, number of practices, etcetera, things continue to go up. So we expect to continue reporting better and better numbers from Think.

I'll pause here. That was the commentary on overall company and group and operating performance. I'll hand over to my colleague, Ramcharan who speak to you about the financials.

Ramcharan SR: Thank you, Anuj. Over the next 5, 10 minutes, I will just give you an overview of the revenue highlights as well as the profit highlights for the quarter. The AUM for the current quarter, average AUM, as you saw in the earlier part of the presentation is around INR30 trillion, INR29.95 trillion, which represented a 14.1% growth on a year-on-year basis. Tracking that, our revenue for the quarter was at INR261 crores, which is up 10.4% year-on-year. The corresponding number last year was INR236 crores, and the last quarter was INR249 crores. So it's a 10.4% up year-on-year and 4.8% or almost 5% quarter-on-quarter in terms of the overall revenue.

Out of this, the asset-based revenue, which was at INR180 crores the last year, same quarter, is around INR190 crores. That's up 5.5% year-on-year. On a quarter-on-quarter basis, the revenue is up 2%, the asset-based revenue. The non-asset-based revenue, driven by transaction revenue and some application development revenue that we do is up -- 14.2% year-on-year, which is at INR37.5 crores for the current quarter. And even on a quarter-on-quarter basis, it's very nice, 8.5%. So non-asset-based revenue, a very good uptake at 14.2% year-on-year and 8.5% quarter-on-quarter. The number is now at INR37.5 crores, driven by transaction and application development.

The non-MF revenue. In the story on non-MF revenue doing better is continuing in large part of it. On a year-on-year basis, this is up 43.5%, INR33 crores. And even on a quarter-on-quarter basis, this is up 20%. The results include the Think Analytics revenue to the extent of INR4.5 crores. Keeping that aside also, there's a very smart growth in the non-MF revenue on a year-on-year basis and a quarter-on-quarter basis. The non-MF revenue now is at INR33 crores. And you would have seen that the creep happening on the non-MF share of the overall business. What used to be sub 10% is now up to more than 12%. So we are on the right track from that perspective on diversification.

The non-MF revenue growth was driven on a year-on-year basis by growth in the Alternatives or AIF, which is up 15%. On payments, which is up 25%. On the KRA revenue, which is up 40%. And some adjacencies in terms of websites and APIs that we build for, that is up almost 50%.

So overall, the non-MF revenue is continuing its trajectory that we anticipated for it in terms of increasing its share of the overall pipe. The asset mix, while on a quarter-on-quarter basis, it remained very static. The equity component was 46.5%, hence, no big upside from a yield perspective because of the equity movement. But on a year-on-year perspective, it was marginally up from 43% to 46%.

The major issue in this, which all of you will have a question on is the yields. So you would see that there has been some drop in the yields. We have actually been guiding all of you over the last few quarters, and that is a resetting of rates for a couple of large customers. We have indicated our state in the last few quarter calls that this is kind of a glide path that we have, which is spread over a few quarters. We expect that the maximum impact of this has already come into the books with this quarter. And there could be some runoff of some incremental impact in the next quarter, but post which we will be business as usual.

So the takeaway from that is as expected and as guided, there was a guided part of reduction and resetting of the rates for a couple of large customers, which should kind of get largely over by this quarter and some probably incremental impact in the next quarter. But post that, I think we are on a path to get to where we normally are. That's the commentary on the yields in terms of the AUM fees.

In terms of the profits, again, our guidance has always been and commitment has always been that irrespective of what happens from a yield or a cost perspective, we will hold the operating EBITDA margins at between 40 and 44 percentage. And this quarter has been the annual increment quarter, which is that we didn't get more than INR5 crores cost because of the annual increment that we rolled out for all the employees in April. So in spite of eating that cost and in spite of this small yield depletion that have happened, we are happy to say that the operating EBITDA, we have held at around 42.2 percentage, which is well within -- the range that we had guided for in terms of the operating EBITDA.

As you know, the fourth quarter is the cost quarter, in which you will see the lump of the salary increment cost coming into the P&L. And going forward, we only expect that this margin will get better as the year progresses, given that there is not going to be any incremental cost at that level in the future quarters, but the AUM growth and other revenue growth will continue to happen. It's almost like a step growth in cost that happens in Q1. So given all that, our EBITDA percentage at 42.2% was a satisfactory performance. And we also -- this is compared to 41.4% EBITDA that we had or 92.4 EBITDA in the corresponding quarter last year, which means that we have seen a creep year-on-year on the EBITDA percentage by almost 1 percentage.

And in terms of the numbers, we ended the quarter with EBITDA of 110.24 crores, which was INR98 crores in the comparable quarter last year. So again, an increase of 12.4% year-on-year on EBITDA number. And even on a quarter-on-quarter basis, we are up almost by 1% on the EBITDA. PBT, again, we were at 38.4% PBT, up 17% year-on-year at INR101.91 crores.

And the PAT, we ended the quarter with a 76.34%, which is up again 18% year-on-year or 29% margin of PAT. So overall, from a margin perspective, we have kept the margins in spite of cost pressures, in spite of yield pressures. And we expect that going forward, this is something going to go -- is only going to show an increasing trend.

We ended the quarter with a very comfortable cash and cash equivalent position of INR509 crores and the Board of Directors was pleased to confirm an interim dividend of INR8 per share. This is in addition to INR12 per share of last quarter dividend, which is up for the shareholders' approval in the AGM later today.

So that's the broad summary in terms of the financials. We do have the trends and various other numbers from P&L, which is available in the earnings presentation, which we kind of -- you can have a look at it and get back to us in case you have any questions.

So with this, I hand it back to the moderator, Seema, for Q&A.

Moderator: We take the first question from the line of Mr. Abhijeet from Kotak.

Abhijeet: First question is on the MF RTA business. Just to kind of get this right, what we are saying is that the current number on the yields effectively forms the base going forward, right, barring the remainder impact that will flow in, in the second quarter?

Anuj Kumar: That's correct. That's correct. Because like Ramcharan said, while our prices have been very competitive in the marketplace. We've pointed out to you in the past that there were 1 or 2 contracts where we needed to reset. The reset went on for a period of time. And now we have culminated that reset. 1Q will be the last quarter for that. So what you should see is yields holding fairly steady after.

Abhijeet: Okay. Second is just on the RTA side. There's good pickup on the non-asset based revenues. And Ram mentioned something along the lines of application development and transaction. But just wanted to check if this is really the base going forward? Or there's been some bunching up that has happened this quarter?

Ramcharan SR: So Abhijeet -- when we speak about application development, it's things like the functionalities that we do, value add in terms of, for example, the MF tax or the suspicious transaction portal or the EIC, the front office portal, or things like that. It is a part of MF -- or just in to the MF. But there is no one-off in this. There is no one-off in this. This has seen a sustained interest in terms of the valuation that we do to our customers, and hence, there is a revenue coming in. So this should be the base going forward. We are sure of that.

Abhijeet: Okay. That's good to see. One question on the non-MF business. So would you see the pickup in revenues here as well. But just from a clarification point of view, this AIF tie up with Temenos. How is that different from what fintuple was doing for you? And a related question is that when we kind of back out the yield, it comes to about closer to 2 basis points. So just wanted to check if that is really the ongoing rate for this sort of service in the AIF market?

Anuj Kumar: Sure. So on Part 1, Fintuple's core business has been creating a digital onboarding platform, which is what they started with. And now a very bespoke development of these onboarding platform. So CAMS is a more industrialized product. You either buy the product or you don't. Fintuple is a bespoke product. We work with banks, especially their custody functions to build the entire set of onboarding functions and digitization function. That's what Fintuple does.

Multifonds is a fund accounting software, and it's a fund accounting platform, which is used globally. We were wanting to do something in this area for a long time, especially with GIFT City requirements also emerging to be able to do fund accounting and multicurrency for people who are either raising or deploying monies in multiple countries in multiple currencies. So that is a fund accounting product, which will now -- which has now become available to us. It's very, very different to what Fintuple does.

Abhijeet: And the question on yields?

Ramcharan SR: Yes. So see, the way we charge -- business yields on AIF, if that is the question. Then the way we charge AIF is not entirely based on AUM, right? So almost 60%, 70% of the billing happens on the number of investors who are onboarded to a scheme. But from a calculation perspective, I think the yields that we are showing is consistent. It's been always between 1.75 and 2, effectively. Although, let me just clarify, the way we charge most of the AIF, it's not based on the AUM. It's more based on the number of investors in a particular scheme, and a slab-base depending on the number of investors and the permanent charge that we do.

Moderator: We'll take the next question from the line of Mr. Devesh Agarwal from IIFL Securities.

Devesh Agarwal: First question, again, on the mutual fund yields. So we see on a sequential basis, we see a 5.5% decline. The yields are more like 2.57 basis points versus a growth of 7% on the overall AUM. Now my question is you said that this moderation can continue even in 2Q. So are we kind of expecting a similar kind of moderation even in 2Q?

Anuj Kumar: Not really, Devesh. So what we have said was, I mean, think of a longer period, think of maybe the last 5 to 6 quarters. Whatever moderation you have seen was largely emanating, for like we said, 1 or 2 contracts. That process is concluding -- have almost concluded, will conclude in 1Q. So whatever impact you've seen in the past is on the books. You will see a small impact in 1Q. But after that, the yield should hold very steady, which means we are at the tail end of that adjustment process. The last step is getting executed in this quarter, in 1Q.

Ramcharan SR: We had to add -- the -- most of the impact has already been seen, Devesh. So to see that there'll be 0 impact is not true. But at the same time, we will be nowhere near what you are seeing for the current quarter.

Devesh Agarwal: Understood. And sir, any sense in terms of adjusting for this one to account, what would be the moderation that we would have seen in the quarter on a sequential basis?

Ramcharan SR: So in fact, given that most of the other customers are in line with what we expect, which is that, in fact, the AUM-to-AUM fee growth, which generally we expect around 70%. And most of these customers are upwards of 80%. So the moderation has been less on the other customers that we have seen. Almost 70% to 80% of the moderation has been because of the resetting of the yield that's happened in these 2 or we would have seen a much larger EBITDA number that you're seeing now.

Devesh Agarwal: Understood. Secondly, on your non-mutual fund business, this quarter, we saw an inch up to 12.5%. So one, your target of reaching 20% over what duration? And secondly, if you can help us understand what is the margin profile that we have currently in the non-MF business? And what can this be, say, over the next 2 years?

Anuj Kumar: Devesh, we have said that -- and this we have said about a year, take it 6 quarters back that we want to get to 20% non-MF contribution over 4 to 5 years. We think we are tracking well. We are tracking well to get to 20% in, let's say, the coming maybe 2.5, 3 years, we will get there. Some of the increase that you found this quarter is obviously going to Think because that revenue has come in for the first time.

The rest you have seen because you've seen revenue growth, and I showed you the numbers, you've seen Alternatives grow ahead. You've seen Payments grow ahead. And you've seen KRA grow ahead. And over a period of time, there could be others, which will grow ahead of company growth rate, which is where the contribution is coming from.

From a profitability perspective, some of those businesses are at company profitability levels. So for example, AIF is certainly over 40% of EBITDA. But at an aggregate, I would still put this non-MF business in the mid- to high 20s, which means that there are small subscale businesses like account aggregator, etcetera, where obviously, we may not have large margins.

Over a period of time, as we stabilize and grow this unless the current non-MF revenue, which is in the early to mid 30s, will grow up to, let's say, INR50 crores a quarter. We are expecting all of this to converge to about 35% to 40% EBITDA. So it will not be very different to company EBITDA levels. So of the subscale businesses, obviously, do not feel a lot of margin today, which is the reason why we are at the 20%.

Ramcharan SR: Just 1 more point to that. We have constantly been saying that we will continue to invest in the new businesses. And we specifically mentioned that last quarter was -- when I say last quarter, means that 4Q of last year was the quarter in which the gap between the income and the expense for the new businesses will be the largest. And I'm happy to say that, that's been the case. Because in this quarter, we will continue to spend this INR6 crores per quarter on these new initiatives, but the revenue has started flowing, and although it is not at a scale that you'll probably get a higher margins. So we are on the right track on that, Devesh. So we will get to a place where these would also mimic the other platform-based business margins.

Devesh Agarwal: Understood. And the final one, sir, this Think analytics, we acquired 55%. So are there plans to acquire the balance 45%? Or this is how it will continue?

Anuj Kumar: So the plan is that we've had the same playbook in both Fintuple and this acquisition that we buy a little of a majority and then we have the call option over a year 3, 4 and 5. We want the founders to stay and continue growing the business. So a larger part of the pie for them will come in year 3, 4 and 5, that make sure that the founders stay and scale the business. And it gives us time so that we are able to create a management team which will be able to learn and operate the business once the founders choose to exit.

So it's a long exit period plan, unlike by 100% upfront in most of those cases, as you are aware and you've seen many other companies that the founders tend to exit after the second day. We don't want that. So we have a call option, and obviously, we are expecting to 100% at both these companies.

Moderator: We'll take the next question from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: Sorry to harp on this yield question again. So in your negotiations, are you -- are we seeing any change in the kind of telescopic structure that you have discussed in the past. So now that the rates are being set on the lower side, is the band being expanded with regards to the telescopic structure? Or it's still the same? So the main thing I'm trying to understand as to whether we see -- if the AUM continues to grow, how much more fall can we see from the telescopic structure standpoint.

Anuj Kumar: Sure. So before we get to the telescopic structure, Prayesh, I just wanted to be sure about 1 thing, which is that, what has given us all this? What has given us, that there is a telescopic structure. We want the mutual funds to buy slightly cheaper as they grow and we will sell slightly cheaper. And that depletion is part of the overall plan. So there's no change to that. However, the slightly steeper depletion that you saw in the last 5 to 6 quarters was going to a reason that we've given you. So the answer to your question is that there is no change in these telescopic structures. They are more or less what they used to be.

And you have seen that we had a very healthy figure in incomes -- almost -- you've seen that 70% to 80% of the AUM growth turns to revenue growth for us. And that formula will broadly hold. So don't expect that yields are under any pressure. But I would say that outside of the couple of contracts that we're referring, yields have been holding very well across the portfolio for the last almost 1.5 to 2 years.

Outside of the telescopic structure, we see no other stress. For the 2 contracts or 1 that we're talking about, it was premeditated and agreed. And like we said, most of this impact has now been taken. What you will see is a small adjustment in 1Q, which is the current quarter -- sorry, in 2Q. And after that, you will not see much. So that's really the message overall on the yields profile.

Prayesh Jain: Got that. That's helpful. Secondly, on the -- if I look at your expenses, both operating expenses and the other expenses have seen a very sharp jump on a Y-o-Y basis. And even on a sequential basis, where operating expenses have increased, the other expenses have been flattish. But the operating expenses have been surging. So what's the reason for that? And what kind of run rate we should look at it?

Ramcharan SR: So, Prayesh, the operating expenses -- see, operating expenses for us, there is some variable component to it. So 2 things: for example, operating expenses, the major contribution for the increase has been out-of-pocket expenses, okay, which is reflected in a similar number in the top line. That is the sponsored bank charge expenses, if you see the small uptick that happened in the payment businesses, that's the corresponding variable cost that we incurred by paying the banks. That's also been a part of this.

And the entire software cloud charges that we're investing in, right? The new businesses that are there are, be it CRA or account aggregator or all those things are on the growth and the tools that we buy or an operating expense. So these are expenses which are either variable or done from an overall business long-term perspective. And hence, you will see a small uptick that keeps happening on the operating expenses even on a quarter-on-quarter basis.

But if you remove the OP part of it, and if you see the percentage of operating expenses, they are -- generally operating expenses to be around 11% of main. But if you move to OP part, the same number as the numerator and denominator, we are quite appointed as an income and expense. The operating expenses always are around 7.5 to 7.8 percentage. And that's the trend that's been holding throughout, right? Even if we see the last year or this year, it's been within this range of 0.5%, 7.5 to 8 kind of percentage if you remove the OP part of it. OP is more kind of a compensating entry.

From other expenses, these are the real fixed expenses. These are the expenses on power and fuel, the legal, consultancy, etcetera. Largely, as you said, we have had this number last time in the earnings call, we again said that you will see only a small inflation-driven increase. But overall, you won't see a large increase. We stick to the same commentary. The only point that you note there is there's a lot of requirement now for an audit, right? For example, PFRDA will recover a CMMI audit. There will be a VAPT audit that is required. All these are very expensive. And there are 3 other things that we've done from an information security perspective.

These expenses are in the base now. So these were some things which are not there probably 1.5 years or the year earlier, which are in the base now. And then there is all these things also, just recollect 1 thing that we include the Think Analytics numbers. For example, the other expenses include around INR63 lakhs of Think Analytics numbers. So -- but for that, you have to be very flat or lesser. The operating expenses also includes around INR65 lakhs of Think expenses. So if you take that away, the increase is a little more moderate.

So 2 reasons: one is from operating variable plus Think Analytics expenses coming in. Other expenses is broadly fixed expenses that you will see a small inflation-driven increase going forward. But in the case, we have various other audits and information security-related orders, power and fuel. There is a big tariff increase that's happened in the state, which is cutting a lot of increase from our power-base tool. These are that the base now. So going forward, I don't think you will see such a big increase.

Prayesh Jain: Okay. On the non-MF side, on the E-Insurance thing, you've mentioned that the digital loan assignment is a new service that you've started. Does -- so what I'm trying to understand is, does this kind of give you additional revenue or it's part of the existing charges that you would get?

So trying to understand whether from a longer-term perspective, this could be an opportunity, which will be, say, larger than the account opening for EIA charges? So that is the question.

Anuj Kumar: Right now, so you know just like there is loan against security, and loan against mutual funds. Loan against insurance is today an experimental product, which means that as of now, it does not have IRDAI permission for people to go ahead with in this format, in the digital format. What we had done was along with the regulator and a few key clients, we set up a sandbox, and this is demonstrating the success of the sandbox. We have now applied to the regulator to allow us to convert this into a commercial product, which is where we are.

And if it's converted to a commercial product, it would, perhaps, mirror the success of, let's say, loan against mutual funds. Of course, the scale could be bigger. It will mirror the success of that. We are expecting to hear from them, let's say, in the next quarter or 2. And then there will be enough commercial viability of this. But today, this is not a revenue source per se.

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

Dipanjan Ghosh: Two questions from my side. First, on the new deal wins, I just wanted to get some sense. When you onward this new customers, is there any front-loading of cost that is associated with it, while obviously, I mean I understand that this will be yield accretive from a medium-term perspective. But I wanted to get some sense of the upfront cost from setting up the business and all.

Second, if I can get some sense of -- you mentioned that in the near term, your margins on the non-MF businesses are around mid-20s and gradually maybe scaling up to 35% to 40%. In the period when you kind of scale up these businesses and take the share up from 13% to 20% of revenues, should one see the overall margins maybe compressing a bit or do you kind of expect some leverage benefits to play out in the domestic mutual fund business?

Anuj Kumar: Okay. So let me answer the second one first. If you take the last 2 years, and I'll give you order of magnitude, we've perhaps been investing annually in the range of INR18 crores to INR20 crores in the new businesses. This is essentially account aggregator in TSP as one, NPS as a second, MFCentral as a third and some amount in insurance. What started happening now is that we are seeing the color of revenue, which means -- some color of revenue. So let's say, a business which had INR20 crores cost and maybe INR1 crores of revenue will grow from INR20 crores and INR1 crore to INR20 crores and, let's say, INR4 crores revenue this year and probably will grow to INR7 crores or INR8 crores next year.

So the gap between what we are spending and what we are earning will become narrower. And that should contribute to the overall profit pie of the non-MF businesses. At the peak, like we said, we have a steady state shift in Alternatives, which is making upwards of 40% EBITDA. We have Payments, which is making upwards of 30%.

And then we have others. KRA would also be making close to 40% and above. So when they become steady state and get to a certain mass, the expectation is, because the labour component will always be small, they will be platform-based businesses, and they have a steady kind of cost and revenue profile, they will get to 40%.

So you have 2 examples there. You have KRA and AIF, which are both in that range, you have payments, which is a lot more competitive. It's somewhere in the 30s. And then you have others, which may not be making margins today. And what I have given you was an overall basket level margin yield.

As we continue the journey, obviously, there will be some profile improvement in the scaled businesses. And the smaller ones, which are subscale where we're actually investing money today, will start returning some additional revenue. So we're expecting that overall margin profile, I have to give you a single-line answer that the margin profile of non-MF should improve from here. And therefore, at a company level, it will be a net contributor, slightly net accretive than net depletive.

Dipanjan Ghosh: On the first part regarding new deal wins and if there is a front-loaded cost attached to it on the MF side?

Anuj Kumar: Correct. So all the new deal wins, what happens is that typically when an AMC sets up business, of course, there is a lot of preset of work to be done. But they get set up, and then they launch what is called a new fund offering. Typically, people come out with a single new fund offering, most of the times it's equity.

Most of the times, and don't take it as a rule, people will target, let's say, INR400 crores, INR500 crores accumulation from that, a very successful first, and it could be a INR1,000 crores, but they're not very, very common. So you have a new AMC which comes in, we do the prep work. And then, obviously, we deploy all the technology capability. which is getting them to plug into our platform, but doesn't really create a lot of cost.

Of course, we have to employ that unit, and we have to employ a set of people. Let's say, starting maybe 12 to 15, 20 people will get into a unit. We'll wait for that INR500 crores to INR1,000 crores of AUM to happen, let's say, in Year 1. So there will be a bit of a response in terms of when that AMC becomes revenue accretive and when you put in costs, but those are not chartering numbers. Those are numbers that we can manage in the overall book quite comfortably.

Moderator: We take the next question from the line of Lalit Deo from Equirus Securities.

Lalit Deo: So on the Think Analytics business, like, could you give us more color like how do we earn revenue and in terms of the new contract and what kind of margins do you make in those businesses?

Anuj Kumar: So when you think of Think, they come from a very different segment, although they are within financial services, largely cater to fintechs, banks, NBFCs on the lending side, not so much in the capital market. So it's a very complementary operation. Four core products: Algo360, you saw that mentioned, is a core platform. We have perhaps one of the 2 in the country who offer a commercial service, where based on Android SMS inboxes etcetera. Information contained there.

We give analytics based on what is the behaviour of the person from a financial metrics point of view in terms of income spending investments and a lot of related things. So that's a very popular platform. That's product number 1, for which you saw, we mentioned things like SBI Cards and Kreditbee to be the new entrants. Of course, there are many established customers.

There is a second product called Kwik.ID, which is basically a video onboarding, video KYC product, where you saw us mention Canara Bank as the third public sector bank in the country, which has joined hands with us. Of course, there are many other private sector clients, but we choose to make these 3 or 4 big ones. And as you know, the paper-based KYC will continue to be displaced by video-based and electronic KYC. And that just creates significant scale opportunities for that product.

There is a third product called Flow Expert, which basically helps companies integrate a number of external feeds coming through API in a straightforward way. It's a new product, has about 3 or 4 installations. And then there is Analytics where we sell business intelligence kind of products and platforms to both the financial services industries in India and in the U.S. and then we have a few pharma and health care clients too.

So those are the 4 product lines. The first 3, you can think of them as a product. Analytics, you can think of it as a service, more a consulting and doing service. So it has attributes of service, which means it needs headcount. The others are typically product based, the first 3. From an acceptance perspective, you've seen some of the clients. And of course, if you go to the website, you'll be able to get a lot more view in terms of what they done. But a very, very promising young company, no debt, completely bootstrapped. And then from a public profile award recognition perspective...

Lalit Deo: Yes. Sir, currently like what is the kind of revenue potential do we expect in this business like going ahead over the next 3 to 4 years?

Anuj Kumar: So broadly, think of them as a company at a current year run rate of maybe INR28 crores to INR30 crores of revenue. Over a period of time, of course, we would expect it to grow in high double digits, so upwards of 30%. On that base of INR30-odd crores. So in 3 to 4 years, you can expect that in a reasonable way, it should be at least a INR50 crores operation of that form.

Moderator: The next question is from the line of Mr. Chandragupta, an individual investor.

Chandragupta: I just want to ask 1 question about this Slide number 36 that you have, proprietary technology platforms and mobile applications that you have mentioned. So is there -- have you explored the option of monetizing these platforms at any point of time, like outside India, of course, like a supply product company that -- could there be another revenue vertical for us? Is there such a potential?

Anuj Kumar: We have made a small attempt in the past to open up European office and one in the Middle East, too. And we had some success. So then we've been completely focused on India domestic right now. As you would see, we have 1 core business and about 7 adjunct businesses. A couple coming from acquisitions, the rest of our own core business. So we've chosen to focus on India domestic. But right now, we are not selling overseas. So there is no go-to-market attempt to sell these platforms overseas.

Chandragupta: Okay. But it can become in future if we choose. I mean, if we decide to, then that's also possible, in case?

Anuj Kumar: Yes, will certainly be possible. Think Analytics, by the way, has a small American subsidiary, where we do consulting contracts with financial services and health care people. That's a very new and a small part of the overall mix, so I didn't call it and it has nothing to do with this chart. But just so that there is a small amount of U.S. revenue. But as far as this platform is concerned, right now, we are not selling it overseas.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Ramcharan, CFO of CAMS. Over to you, sir.

Ramcharan SR: Thank you, Seema. And thanks a lot to all the participants for your participation and involvement in this earnings call and your continued interest in CAMS. In case of any questions, please feel free to reach out to Anish Sawlani or to Orient Capital or our IR. Thanks once again for the time you spend.

Anuj Kumar: Thank you, everyone.

Moderator: Thank you, sir. On behalf of CAMS, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.