"Computer Age Management Services Limited

Q3 and 9M FY '25 Earnings Conference Call"

January 30, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9M FY '25 Earnings Conference Call of Computer Age Management Services Limited hosted by Orient Capital. We have with us today Mr. Anuj Kumar, Managing Director of CAMS; Mr. Ram Charan SR, CFO; and Mr. Anish Savlani, Head, Investor Relations. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask question 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 Ms. Shivani Karwat from Orient Capital. Thank you, and over to you, Ms. Karwat.

Shivani Karwat: Good morning, everyone. Welcome to the Q3 and 9M FY '25 earnings conference call for Computer Age Management Services Limited. Before we proceed to start the call, I would like to give a small disclaimer that this conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date. These statements are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict.

A detailed disclaimer has also been published in the investor presentation, which was released to the stock exchange. I hope everybody had a chance to go through the presentation. I will hand over the call to Mr. Anuj Kumar, Managing Director. Thanks, everyone, and over to you, sir.

Anuj Kumar: Thanks, Shivani, and good morning, everyone. I appreciate all of you taking time out to join the third quarter earnings call for FY '25. I have Ram Charan and Anish in the room with me today. We will commence the presentation, spend about 20, 25 minutes on the content, which I'm sure you've gone through, and then have enough time left in our hands for questions and answers.

I will commence. Overall, I would classify this as a strong quarter despite the fact that, especially in the capital markets, not just in the mutual fund space, but across broking and other related businesses, there was some element of slowdown and some element of -- the past trends would not sustain with the same momentum.

Despite that, I think the team has done a stellar job in reporting revenues, profits, wins, product launches, market share gains at a level which frankly has been unprecedented. I will just take you through individual products and businesses so that you begin to appreciate how this looks like. But as a brief summary, revenue grew -- overall cap revenue grew just short of 28%. This number was about 32% in the last quarter.

At 28%, it remains one of our best quarters so far, but of course, lower than the last quarter. MF revenues on the back of about 38%- 39% growth in assets were in excess of 28% growth. So that translates to the standard yield to asset expansion ratio, 28.5% revenue expansion or about 38% AUM expansion. Non-MF revenue, which was upwards of 30%, was 32% last quarter, is at about 22%.

It’s a great number not as good as it was in the last quarter. If we had the momentum in some of the markets, this number would have been closer to 30% or in excess of 30%. We believe that we have all the intrinsic foundational components of product, sales, delivery technology, all of that in place to get back to that number very quickly. So I would attribute some of this compression over the last quarter to what happens in the market.

Share of non-MF revenue, therefore, because MF expanded faster, is at about 12.5%. In the face of all of this, given the fact that we had almost 7 straight quarters of significant revenue expansion, I think the overall book was managed very well. EBITDA grew by 34%. So in excess -- significantly in excess of revenue growth.

Despite these times, we had EBITDA percentage at 47%, almost 220 basis points up year-on-year, which I think from an execution discipline, cost management perspective is very sound. PAT grew over 40%. And the PAT percentage is at 32.6%, and this is almost 300 basis points up year-on-year.

So I think overall, from a cost efficiency delivery perspective, despite the large investments we are making across product lines in technology, in data centres, in security and in talent, especially, including some of the money, which we continue to spend on the re-architecture of the core platform program. If I put all of that together, I think the opening numbers at this level is just a very strong outcome of how we run the plays. Over to the next.

I will take you through some of the operational highlights. I'm very, very pleased to share with you in the large revenue base of mutual funds, I think the way things are panning out, and this is not just about quarterly performance, all of this was foundational, the way the market perceives our performance, our superiority, capability to deliver the very stringent outcomes that the industry now needs.

I think there's everything pointing in that direction, and need not to give more than I have on the chart. We won all 3 MF-RTA mandates on offer. Jio BlackRock, which was kind of agreed some time back. We were waiting for the execution, so we're formally announcing now. Pantomath MF, which is an emerging but large AIF player in the country.

Choice, which is a listed holdco, which has a large broking operation, but also a lot of stuff in distribution and other live capital markets activities. So with these 3, while we have claimed the superiority, the significant, I would say, undeniable superiority over the last 3 years, I think winning 6 out of the 7, including the very prestigious deal to win, which was Jio BlackRock, is very, very pleasing.

We also won, and this was an inbound. I think we've shared with you in the past that right now, we are not doing any formal bid process for overseas contracts. But this is inbound, the CEO wrote to me on LinkedIn. And there was competition, obviously, but they were kind of predisposed. And I think that's the other thing which pleases me immensely, that a lot of the buyers are predisposed towards us.

It means that they have a strong reason to buy from us. Of course, you have to win every contact. You have to fight for it. It is not that it gets thrown in our laps. But getting an inbound like CeyBank was extremely pleasant. So we close this. We're going live in some time in the next 2 months.

Overall, AUM grew about 38%, equity assets, which have had a green stellar run grew 51%, but at 38% strong growth, although slower than some of the past quarters, but still very commendable. We also won the second MF-RTA migration mandate from competition. I think a lot of you about knowing the name, tenure and some of the salient details about this.

So while we have a signed contract, I think we're still waiting for a formal assent from the client to disclose their names. It's a smaller AMC, again an inbound. You know that as business strategy, we are busy expanding in new clients and new areas, which will be defined. So churning the base has not been a core strategy for us.

Whenever somebody comes with an inbound and it looks worthwhile, and then they're determined to migrate because migration of an MF-RTA operation is not simple, then we move it. So this is a name that we will announce in a bit. But it also kind of does one more thing that for a long time it's been said in the market that CAMS is perhaps more positioned for very large AMCs and that's a franchise.

And that's also kind of a headline, which got created for some time. In the last 3 years, we've been conscious that you -- we must give the impression that we are good for emerging people, and we will pay them the attention and the focus that they need to be successful in there businesses because actually an RTA is not just a supplier or a, I would say, a partner. It's also an enabler in their success.

Very happy to state that all of these are not licensed mutual funds, some have got in principle, some -- most are in operation. Some of have got final licenses and are about to launch in the next 2, 3 months, at least 3 of those. And there are 2, 3, which have got an in-principle approval, whose names we already told you. So that takes us to 26 out of 50.

It's again, you've known that we are not in a habit to chase for any number. We are not doing that. We want to build our portfolio and continue sustaining it so that it is right design for the future. There are deals we want to win. And some of this is just good enunciation of our strategy in terms of how things went.

So 6 out of the 7 new AMCs in recent times, all the 3 MF-RTA mandates in the last quarter, including the very prestigious name of Jio BlackRock, CeyBank with an inbound the first official international contract, second migration from the competition. I think this just gives you a flavour of how things stand in the core.

And when I go outside the core and tell you what the other businesses, I think your excitement will be as sustained. But this is just great building the franchise and building insurance for the future. Overall again, equity assets crossed the INR25 lakh crore mark. I know that till about the month of September, but even till December, you know that net sales and collections in the number in the markets have been pretty good.

So our equity assets crossed INR25 lakh crores. This number used to be about INR12 lakh crores in March, April of '23. So it's taken 18 months for this entire number to double. Equity net inflows were at about INR97,000 crores. So close to a INR1 lakh crore number of equity net inflows is a staggering remarkable number.

Remember that this number has typically been half in a year, 1.5 years back time frame. So it's grown from the late 40s to about mid to high 90s. NFO sales, which you know, I mean, new AMCs have to do that, but some of the established AMCs do that just to broaden the product portfolio and right-size the offerings, 35 new schemes. So almost a scheme every third day. It just creates significant operational demands in the team, but we've come out very well. 70% share of NFO collections.

You know that NFO collections, this metric has largely been favouring class-based service funds. So that 70% has been a great number. SIPs, new registrations, while they climbed almost 50% year-on-year, were not as strong as the second quarter. And again, you know that some of the sentiment of the market started correcting in late September. So we had a full quarter of what I would say is correcting settlement. But within that growing 50% year-on-year was a great number.

Again, for the quarter, very neat share gain. Net registration share increased to 64% from 60%. And similarly, a very similar trend on unique investor base, which touched INR3.9 crores, just short of INR4 crores. Our share grew 31%, industry was 25%. So again, significantly ahead of industry competition.

On the non-mutual fund side, again, I would say, a very sustained story. And you know that we have often described this business as our prospect. And I think quarter after quarter after quarter, in your eyes, too, the credibility of how the individual businesses are performing would have gone up. This is not just some area of, what I would say, marginal work. It's becoming core work. A lot of these businesses are growing ahead of the market.

We are taking share from a logo win perspective and inside the base, they're taking share in terms of transaction and revenue. And there's never a better description of success than that because you have to be unlike some people who may just sell on price for some time just to show some numbers. I think this is sustained now almost a 2-year history, 8 to 10 quarters, and I can assure you that you will keep seeing this in the coming years and quarters.

CAMSPay, you know we reported a 26% revenue growth last year, and FY '25 has been touching 50% plus. So stellar revenue growth of 53% despite the fact that any slowdown in consumer investments might be kind of things that does impact us. But the business grew 53%. Digital payments as opposed to the physical lines, etcetera, have been driving this.

CAMS KRA, which grew almost high 90s last year had been growing 50% plus in the last quarter, grew 27%. And I would say they grew -- we grew 27% despite a slowdown in new account opening. Where did the slowdown happen?

The slowdown happened, obviously, in MF being bought and new folio creation, in demat(13.55 seconds)accounts being opened, which is a consumer for the service and F&O accounts opened by consumers to trade the stock markets, all of those things slowed down. You track the sectors, so you know the numbers.

And despite that, I think the 27% year-on-year growth has been a fantastic achievement. We continue to take share in this market like you know, and continue to grow revenue ahead of market. New client acquisition from the non-MF segment has scaled. We have some of the smaller brokerages.

I think you guys have often asked the question, do we have one of the top 5 brokerages. One of the top 5 was signed during the quarter, at least one more should follow in the next 3 to 4 months. So I think this is a good starting, a very strong investment and scale-up on the non-MF side, which is a segment we started focusing in the last 2 years.

But the product is being bought, which means the brokerages we bought similar like this, and that's pretty strong. On alternatives, we've continued to scale. We've added 21 new clients, 21 new clients during the quarter. GIFT City has been a great story. We now have 25 clients managing over $1 billion of AUM. We continue -- although I'm not naming specific contracts, I know it's possible to name them, but we're not naming specific contracts.

We've got the churn mandate from the competition, which means they have won a contract 1.5, 2 years back, the clients are churning to us. And again, base churn is not a core strategy. If somebody is unhappy with the provider, they come to us, and we will take them. But in the GIFT City, decidedly underscoring our leadership, having set up a new office back in October with the capability to seat over 50 people.

In AIF adding 21 clients during the quarter. In digital, onboarding, and I'll show you the numbers next, we are at least 4 to 5 times bigger than any competitor. I think all of that is very, very gratifying in terms of how the business is built. On repository, on insurance, you've seen the INR1 crore number that we declared some time back.

So you know that our organic pace of building policies under management used to be about INR0.5 billion or INR5 lakh a quarter. We've now scaled it to INR10 lakh a quarter, and I'm sure this number can scale further. Our aim is to bring it in line to about INR15 lakhs. But the thing I also wanted to mention is that we now have a second life insurer.

Now you can ask me why it's not 1 of the top 10, but this is the second life insurer in our history who's opted to give 100% of their policy base to us. So you can argue that there is conviction, not just in our mind or in some end consumers' mind, but insurance companies and life insurance companies who are complete believer are bringing 100% of their policy base to us, so Star Union Dai-Chi is the second one. There is a small life insurer there already.

And we expect this is part of a trend. It's not a flash in the PAN. It's not a one-off event. So in the year, we expect 1 or 2 more deals of this kind of come. And to me, it's very heartening because it's the shape of things to come. As more and more insurers continue to believe in insurance repository and choose to take the whole decision of handing over 100% of the coverage policy with us.

I think that's a great place in. Bima Central unique base crossed 4 lakh consumers, volumes grow 40%. Of course, the base is very small. So percentage growth isn't the right metric, but I'll show you how the overall things have done.

And then CAMSfinserv has just won a mandate recently, both the account aggregator, TSP and analytics from one of the largest scale banks in the country. And Think360, where the account aggregator analytics and business Think360 because they are the experts and they have the capability.

We won a TSP++. This is basically an analytics mandate from one of the largest banks in the country. It's a long-term 3-year contract with some fixed billing terms. So again, very heartening to see not just in MF, I think as I told you the entire story of how the thing has happened.

But in payments, in KRA, in alternatives, those 3 significantly because that uptrend has been there for more than a couple of years. But in repository, I'm continuing to see investor and insurer interest and scaling, and then in Finserv, some very, very high-quality deals have come our way. So that's on the summary, performance.

I know you've seen these numbers. I don't want to inordinately spend time on taking you through these individual numbers, but suffice to say that a big metric of scale is how many transactions we processed a year back, in a quarter INR15 crores. This year same quarter INR24 crores. So it's grown 40%. You haven't seen anything coming up. You haven't seen missed payments, delays, bad service, any negative press of any kind.

And I think that's just a commendable job done by the entire team. So between technology process, compliance, operations, all of them have done well. Overall unique investor growth, I spoke about, 31% against, so ahead of industry growth. Equity AUM 51%, net sales almost doubling in a year. And new SIP registrations also in a year (19.45 mins) growing about 50%. So I think that this is a good annunciation of what a great product can look like.

Now obviously, the markets will have great times and not great times. And I think you have to live through them. And in this quarter, it's not a slowdown, it's going away in a given day. But I think there's a third quarter, despite the slowdown, I think on individual metrics, very, very heartening for me to see the way things have gone and what the team has been able to accomplish.

Go to the next. Again, you've seen these numbers. I don't want to inordinately belabour any one of them. If there are any questions, we're happy to take questions during the Q&A session. I've spoken about all of this, so at the cost of not being repetitive, we are just driving in a little more detail some of the individual businesses.

I spoke about CAMSPay's percentage revenue growth. I think from a logo addition perspective, I didn't speak about that, almost 24 new logos added in Q3. And some of those win records, for 21 in AIF, 24 in payments is unprecedented because some of these are real scale clients.

Also happy to share with you about 3 quarters back we had said, we've been empanelled by LIC for auth services, authentication services. These have gone live. We've also got empanelled for payment gateway services. These are extremely high-quality, high-tenure clients that we certainly wanted to acquire. So the good news is they're beginning to use us and scale up the services. Obviously, it takes some time to go live, but that's a good thing.

On the KRA side, I spoke about the revenue growth, added almost 20-plus different financial entities, fin-tech's, MFs, continue to scale up and not have a ban. And added one of the top 5 brokerages. One of the emerging brokerages whose name we will disclose over a period of time from India's largest corporates, they have chosen CAMS KRA as a partner.

So good set of wins. You saw some mention of the NEXUS dashboard in the last presentation. We launched WhatsApp KYC, all future-ready, futuristic things that will help us scale business and be of service to our clients and especially gain share at good price. I spoke about alternatives. We spoke about 22 -- 21 new wins.

But including CAMS WealthServ, which is onboarding platform, almost 53 new mandates. WealthServ almost 185-plus sign-ups. So if you think of that industry, AIF domestic PMS at about 1000-1,200, serious operating at least almost one-fifth of the market buys from us. The competition probably have, any competition, not one main competition has maybe one-fourth, one-fifth of that number.

GIFT, we said we are putting our money where our mouth starts. We set up new office. We've crossed 25 clients, planning to add another 2 or 3 in a month's time and then Fintuple is now in addition to everything else that they build and sell focusing on NPS as a segment, where we will build and sell some integration tools.

With that, I think I've spoken about most of the things. So one of the fallouts of having 1 crore e-policies that we also have 80 lakhs EIAs or e-insurance accounts. We all understand that every citizen and every investor is allowed to have one. So some of the opposite of this is that those 80 lakhs investors now come and add a second and a third policy, which means we have to do a small campaign from the policy growth is not just sell, sell,sell growth.

It's all organic growth because the investor we insure now has EIA account with us. He has won (23.42 mins) life insurance policy. Policy as [Inaudible 23:45] the policy. Some of the growth you're seeing is also of this base growth. Bima Central, we're beginning 3 integrations, fourth in progress. Of course, we would have liked the speed to be higher than this, but it takes some time to just get the physical integration on.

So that did 4 lakh user base, transaction volume grew about 40%, some of the recognition including that we have set up stronger [Inaudible 24:15]. Think had a strong quarter. This TSP++

mandate is from, well I can say, the top -- 1 of the top banks in the country. Very competitive, won against competition. So that was great.

BOB Financial Services, which is a subsidiary of Bank of Baroda, for whom we already do KYC, came in with expansion in video KYC for BOB cards. Algo360 won a contract from Unity Small Finance Bank. We're building some smart, cool, Gen AI led ad-surveillance solutions for regulators, depending upon their willingness to spot early whether there any influencers who are making claims.

So even financial service houses or product houses who are making claim some products that aren't exactly right. The AAmaze analytics solution for account aggregator again the business fits inside Think360. It's always tied with multiple brokerages at NBFC this is largely used for the personal finance management, portfolio management this year.

And then some recognition for Think360 so they were covered as a challenge by the analytics system as we grab hold of the finance part. Finserv (25.39 mins) we spoke about the length and the overall year-on-year revenue growth, CAMS NPS grew over 100% on subscribing onboarding. Over to the next. So that's what I had and happy to take questions. Handing over now to Ram Charan so now that he can take you through the financial numbers.

Ram Charan: Thank you, Anuj. So I'll just spend a few minutes on elaborating the financial numbers. So we did post very strong numbers this quarter with the growth in MF revenue largely in line with the AUM growth with stable yields, and the non-MF also growing on a year-on-year basis closer to a long-term expectations of growth.

We also posted strong profitability. In fact, our PAT increased by 280 bps quarter-on-quarter. The EBITDA increased by -- on a year-on-year basis, the EBITDA increased by 230. And there's a small creep up in the quarter-on-quarter margins also in spite of it being a quarter where assets did not grow as much as it did in the earlier quarters.

So we ended the year with a revenue of around INR370 crores, which was a 27% growth year-on-year and a 1.3% growth quarter-on-quarter, largely driven by the AUM growth. It was INR46.77 trillion average AUM versus INR33.95 trillion in the last quarter. So that's a significant growth in AUM, which has contributed to the increase in mutual fund revenue.

The asset base and the non-asset-based revenue largely grew on similar margins, similar percentages with the transaction revenue on a year-on-year basis, growing significantly. Also on quarter-on-quarter, as you would have noted, the transactions did not grow a lot. From a non-MF revenue, I think the details were given to Anuj in his earlier discussion.

So we did grow 22% on a quarter-on-quarter basis with almost all the verticals posting growth on a year-on-year basis while there was some slowdown in the quarter-on-quarter because of the underlying market conditions for KRA and payments. But overall, year-on-year, 22% growth, largely in line with what we actually expect.

So that to make our non-MF revenue 20% of overall revenue within the period of 5 years, which is probably another 2 to 3 years from now. Asset mix was again favourable. Equity did have a mix of 54.6%, which was again favourable from a yield perspective for us.

From a profitability, as I mentioned, we actually posted very strong numbers on margins aided by our cost control as well as the operating leverage that we have. So on operating EBITDA, we actually closed the quarter with a 47% operating EBITDA, which was, in fact, slightly higher than the earlier quarter in spite of the challenges we had on the AUM growth in this current quarter.

On a year-on-year, there's significant growth from 44.8% to 47% in terms of the overall margin. So there has been a slight creep up in margins even on a quarter-on-quarter basis with the operating EBITDA growing around 34% year-on-year and 1.5% quarter-on-quarter. And the PAT showing a similar trend of more than 40% growth year-on-year and at 32.6%, we are close to the historic high that CAMS has achieved in terms of bottom line.

Our return on network continues to be extremely impressive with 48%, and we entered the quarter with a very comfortable cash and cash equivalent of INR770 crores. The Board was pleased to declare an interim dividend of INR17.5 per share. With this, the total dividend pay-out only for the current year, which is the first quarter dividend, the special dividend that we declared in the second quarter.

And this put together is INR260 crores of pay-out of dividend is what we are doing only for the current year, keeping in line with our dividend policy. So overall, it has been a very, very strong quarter. I just wanted to end this with a small commentary on the yields. So yields have been largely stable for the last few quarters, right And in fact, some quarters have surprised on the positive side also.

We have, over the last year, renewed a lot of the major contracts and the other customer contracts with a limited impact on the yields. And we do expect, however, in the future, there could be some stream, more than usual reduction in the yields over the coming year due to some price changes. While we are in discussions, and we will know the exact impact once the discussions conclude, but we think it is prudent to kind of alert this point that there could be a more than usual reduction in yields over the next few quarters.

Of course, we will ensure that the impact on margin is not material. Obviously, we have a lot of tools at our disposal including automation and the process improvements and the operating leverage that exists in the business to ensure that the impact on margins is muted. But I think it's just prudent to tell you that, that could be a reduction in yields more than usual over the next few quarters.

We will get back to you with details in the next quarter when there's more clarity on this particular point. But for this, this has been a very, very strong quarter, as Anuj said, a lot of foundational things are happening, which ensures that the long term -- the financial metrics of the company will continue to be impressive, whether it's in terms of wins in the new MF logos, in share in the equity flows or new logos that we are winning in the non-MF and MF business. All these things points to a very positive future in terms of financial metrics also.

So with this, I will just pause and hand it over back to the moderator for any questions that you may have.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Congrats on a great set of numbers. Just a few questions from my side. First one on this international mandate first of all, what is the size and what are the realizations, yields, and what can be the time frame that we will look at and whether it is the entire asset base or one particular geography that you have won the mandate, that would be helpful. That would be my first question.

Second, you mentioned on the shift of AMC, right? So does this kind of open the can and increase the competition or allow third player to start entering this space? Does the competitive landscape change because we've been -- that has been one of the key strengths that the shift of AMCs in RTA business is a very difficult one and generally does not happen. But does this mean that if it is a meaningful one, then there would be further more transitions?

Third one was on brokerage. You said that you -- on e-KYC, you added one of the top 5 players. Would this -- is it more clarificatory whether this would be replacing an existing one? Or you're getting the -- you would start getting share of incremental business, or it's an exclusive deal that you would get only -- you would be the only one. And last question is just on this yield pressure that you mentioned.

Ram, what has changed in the recent past that is causing this change? Because on the other hand, if you look at this quarter, the AMCs have reported flattish to marginal improvement in yields. And we are talking about and the corrective actions that they have taken, some of the AMCs which have taken for the commission structures that is benefiting the yield.

So why in this kind of an environment, we are taking the pain and we are taking the pressure of reduction in yields? Yes, those would be my questions.

Anuj Kumar: Sure. So on Ceybank, it's, I think, an operation which will -- think of it like as a INR1,000 crore AUM Indian client. So approximately that size perhaps a little smaller. This is not a sign. We are not announcing some big bank global entry. So like I said, an inbound inquiry. We've just right sized the software because we need some of the regulatory setup to get into this currency, those kinds of things and the processes that they follow. We should be live by April.

I think right now, you have to think of it as a contract which will bill a few crore rupees a year. It's not a very large contract. It will bill a few crore rupees a year. So the only reason we're stating it here is that it's a nice inbound for us to get because there was inquiry. And then it came in, we don't have yet a dedicated sales force to go after these things. So that's point #1.

Point #2, you asked whether clients will begin to churn a lot. If you want my honest answer, the churn in MF -- the movement between 2 RTAs continues to be as tough as it used to be, perhaps tougher. It is despite the digital era. Actually, the digital imposes a lot more constraints than the physical world did. So it's not that there's anything easy in terms of shifting.

I think these cases, you saw one(35.34 mins) case about 2, 2.5 years back, we're seeing the second case now where people -- and none of this is for commercial considerations. Now of course, you know that came across in public, you can also see what prices are being charged. It is just that people want to work with us. I mean, I think because the evidence that people who want to work with us seek us out. That's how this is happening.

Can a third player come in? A third player cannot just come in because it's either easy or tough to churn. They need to have the product and the entire suite, which is we've told you in the past, it's so comprehensive, but it's very tough to build. It's maybe a 5, 6, 7, 8-year duration process, maybe longer than that. And you see some examples of competitive entities, which came up that could not sell.

So this does not make churning any easier, this does not create any room for a third player. I would still say think of it as a very uncommon event, someone with great determination and grit would like to cross over. So those were your first two.

Prayesh Jain: Yes. The third one was on brokerage.

Anuj Kumar: On the brokerage part, so this question has been asked of us often for obvious reasons because some of the large brokerages, Zerodha and Angel, happen to be MFRTA clients. So we are often asked this question are they coming in.

Right now, this is someone else. They will come on at some time. This is someone else, one of the top 5. Typically, how a KRA or a payment operation inducts a second partner. Broadly, think of it as about 20% to 25% share, which means they will still keep the first guy. They will keep the first guy. They will not yank at and rip them out. So it doesn't work like MFRTA does, where you have a single partner. You can easily have a 2-partner solution.

They start giving -- nobody does this to just add 5% or 10% volume. So the expectation should be that about 20% to 25% of the payload will start coming to us. That's item #3.

Well, item #4, I think what Ram Charan said, I'll just divide the argument into two parts. One part is that it's almost the entire renewal cycle of large, medium and small contracts done. The answer is yes, you know that last year was part of the asset test here, we had a lot of these contracts come up, and we have successfully renewed all of them or almost all of them.

So there are 1 or 2 where there may have been a historical backdrop of uneven prices. And given the fact that in the last 6 quarters, after March of '23, so starting April of '23 till December of '24, we have around 6, 7 quarters of extremely strong growth. We may be doing something for 1 or 2 clients, I think that's the mention. For most of the base, the renewals are all done. They're typically 3-year renewals. So that large task, which belonged to 2024 and early '25 has been accomplished.

Prayesh Jain: So this is like a one-off fit that will come to your book for a very long period basis? Is this kind of resetting of the base also of the back? So this will all come in probably one quarter or something, they will impact?

Anuj Kumar: No, no. It won't be like that, whatever adjustment we do. So I think the bottom line is like this. We have assessed, obviously, the task at hand. I think the broader statement from us is that we are confident that we will hold margins and everything else. You know that we've done -- we've had to do these things once or twice in the last 6, 7 years from time to time as the market expands.

And if there are any, I would say, pricing unevenness, it plays out. So it will play out in our case also. Don't read it bigger than what it is. But yes, it will happen over financial year '26, FY '26.

Prayesh Jain: Thank you and all the best.

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

Abhijeet Sakhare: The first question is coming back to the yields part. So if it's possible to quantify your comment around higher than usual compression. And putting that in context, I think this 9 month so far, we have seen on a calculated basis, almost like a 5% to 6% compression. So does that mean it's higher than this number is how we should look at next 12 months?

Ram Charan: So Abhijeet, the way we look at it, the long-term compression of yields, if you see over a longer brand I don't think 1 or 2 quarters will do justice to it, is to actually look at it at a number closer to 3% to 3.5%, right? So that's been the long-term range in terms of the yield’s compression. What we feel is that the 3.5% might not hold good going forward, at least for the next year.

And so for the reasons Anuj mentioned, that there could be some pressure on it subsequently, whether it will be double of this, unlikely. But that could be something that is higher than that. As I said, the impact will have to be assessed after we do it. So we don't want to give a better or worse picture than what it is going to be finally.

But as Anuj said, we should not read more than what it is intended to be, which is our guidance to you, saying that if you're building your models using the usual yield depletion, please add something to it so that it becomes more accurate. So it will not be double of what it is now, it's not going to be a depletion like that, but it's definitely going to be higher than the 3.5% that we are seeing historically to be the year in depletion.

Abhijeet Sakhare: Got that. Moving on to the KRA question. So here, just wanted to understand what would be the mix between mutual fund-related revenues as against broking? Because we've seen, let's say, similar growth in terms of mutual fund account additions in 3Q. But obviously, I think the broking side has seen like a 20%, 25% dip, which is similar to the decline you've also seen on that revenue line. So a mix there would be helpful.

Anuj Kumar: Sure. So largely look at it this way that non-MF is about 18% to 20% of revenue contribution. It's a much larger market, so we want to scale it. But right now it's about 18% to 20% of the KRA business in terms of revenue.

Abhijeet Sakhare: Got it. And last one is how should we look at the expense growth for the next few quarters or next 12 months or so?

Anuj Kumar: So I'll let Ram Charan answer this. I think from a broad perspective, we have been in an investment mode on products and technology for over the last 2 years. We spent and you've seen some of this that we spent for workforce modernization, we brought in, we did get in a substantial number of IoT kind of hires in the last year.

We continue to work on the platform re-architecture program, which continues to advance. And although a lot of the cost will get capitalized, there will be some offsetting of the P&L. Our capex this year has been larger than usual, also the IT opex. But I'll let Ram Charan kind of give you a little more detail in terms of exact numbers.

Ram Charan: Sure. So Abhijeet, you would have seen that during the current quarter on a quarter-on-quarter basis, the expense growth was a little muted, right, especially on the salary cost. This is after considering the talent infusion that's happened in terms of the IIT, IIMs and other senior hires that we've done. So what we expect overall is -- there are three things I'll split it into, the employee costs, the operating expenses and the fixed cost.

From an employee perspective, we've seen it to be stable around 32% to 33% of revenue. So barring this one quarter in April, May, June, where there could be some increase because of the annual appraisal impact, it has traditionally been around 2% of revenue.

Apart from that, we don't see that to be very different. I think we have a fully staffed organization. Whatever we do in terms of talent diffusion will continue to happen. But I don't think it's going to be significantly increasing the cost by 4%, 5%. At most, it would be a couple of percentage increase there.

But I think you'll see remarkably stable operating expenses. It has traditionally been if you take away the OP, it's traditionally be around 8% to 8.5% of the revenue, be it the sponsored bank charges for payments or the data entry charges for CAMS or for software-related direct expenses that we're incurring. So we don't see any change in that ratio too. And fixed expenses, it just goes with inflation.

So the short answer is, I think in the next quarter, we see very stable expense. We've been around the INR195 crores, INR196 crores other than depreciation at the total quarterly expenses. You can say you'll see probably a couple of crores of increase in expenses, but we see a stable expense base. And the year after, barring the salary increase that we see, we don't see a big expense in the opex part of it.

The capex, will continue to make investments in terms of the Rearc, in terms of the other compliances that we need to do for SEBI purposes or for IT infra purposes. But from opex perspective, in spite of continuing to invest in talent and in spite of buying the latest cybersecurity tools, etcetera, we continue to invest in, we don't see a significant change in the cost base. It will be probably driven by the factors that I mentioned earlier.

Abhijeet Sakhare: Very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: Thank you for the opportunity. My first question is on the yield that you mentioned about. So can you just clarify whether this is limited to 1 or 2 clients or this is slightly more broad-based?

Anuj Kumar: No, Devesh, this is not broad-based. As we mentioned, almost all the contracts have been renewed even with most of the major customers. This could be limited to 1 or 2. I think broadly, we have reached a stage where we are in equilibrium in terms of rates for almost all of our base, right? So I think this will be limited to probably 1 or 2 customers.

Devesh Agarwal: Okay. And historically, you have always mentioned for a 20% AUM in growth, one should assume a 15% kind of a revenue growth. So in that parallel lines, if you can quantify for a 20% AUM growth, what could be the revenue growth that we should be assuming, post these changes in the yield?

Anuj Kumar: So I think this indication was more to do with the 3 year, 5 year, 10-year kind of projection, right? So we say on a medium to long term, we would always have this 20%, 15% playing out. I don't see that will be significantly different, probably 1% point down, at most 2% points could be the impact. But I think on a best-case scenario, I don't think it will be down by more than 1% point.

Devesh Agarwal: Right, sir. And this would be playing out over the coming 3, 4 quarters. Is that the understanding?

Anuj Kumar: Yes, it will play out over the next financial year. Probably for the next 3, 4 quarters, you will see some impact. Again, I do not expect that this should alter -- just reiterating, this should not alter our projections for the profitability per se, right, which I don't think will be range bound. It will not be very adversely affected because of this. But yes, this will play out over the next 4 quarters or so.

Devesh Agarwal: Right, sir. And sir, recently, SEBI has come out that they want to ensure that every AMC is kind of coming up with a INR250 SIP. And they've also announced some incentives for those. So that in a way kind of increase your scope of work and even the number of transactions are likely to go up. So how would that kind of impact your cost structures?

And also, given this entire thing that the AUM growth is slowing down. So again, the timing is very precarious that on one hand, the AUM growth is slowing down, your costs are likely to go up because of the new regulations. And then at the same time, you are facing some yield pressure. So how do you see the overall thing?

Ram Charan: So Devesh, we are extremely bullish on the overall market. I think AUM growth has slowed down maybe for a quarter. But the entire building blocks are still intact. And I would say that the micro-SIP or the INR 250, whichever name you want to take, is a very foundational building block.

The thinking behind that is that SIP has been a salaried person's product, somebody who gets a payroll on the first of every month. And now this is distributing it to people, who are non salaried, maybe daily wages or weekly wages. So it significantly expands the market.

When it expands the market, so think of it like this, that when the AUM comes in, so there are 3 parts to it. The AMC obviously incurs KYC charges. They incur trigger charges, and then they pay us for the AUM. I think once you get the money in the door, it's part of your assets, then that's a great place to be in because that will grow like the rest of the money will grow, and you will charge on it.

For SIP triggers and KRAs, there is a more beneficial rate regime only for those customers, only for those customers, which is a onetime gift from us. But we are very confident that we would like to scale it in partnership with the marketplace.

And think of it as a foundational building block. Just like you saw the normal SIP changed the market in these 10 years, let's say, in 2014, 2015, think of this small ticket SIP to be the next change agent for the next decade. It's a very positive occurrence.

Devesh Agarwal: Right, sir. And sir, in terms of new mandates that you have won. We see over the last, say, 2 years, some of the names like Navi, Zerodha, they have kind of now ramped up in terms of AUM. I think these 2, 3 new mandates that you had won, are contributing INR13,000 crores, INR14,000 crores of the AUM. So can you share some bit of what is the revenue yield that we have here or what is the profitability of this account?

And secondly, in terms of your newer AMCs that you have won, which one do you think has -- looks to have a good potential in terms of revenue and which is the one which is likely to start operations soon?

Anuj Kumar: So think of it this way that in the base, Zerodha and Helios are the two which launched in about the last 12 to 15 months, Navi migrated again in the last 2 years. So those are new. But what's likely to happen in the next 6 to 9 months is that a large number of ones are readying to launch because they've got final approval. And what is visible on the horizon, although the dates are still not announced is Jio BlackRock, Angel and Unifi. I rate at least the first two of them, who expressed their ambitions to be scale players, and they have been scale players in various markets by now. So those two will certainly be scale players.

Unifi has been not a mass market player so far. So they are moving from niche market to mass market. So they are a very high-quality operator, very popular in their set of customers and franchise. And we're expecting all the three to be very strong launches.

Outside of this, then we have the other customers who've signed up whose names you've seen, which is Choice, which is a scaled player in broking. Pantomath, which is an emerging player but is scaled in AIF, significantly scaled with several thousand crores of AUM. And then we have Cosmea license. They haven't got final license yet.

So those are the next 3. I think the first 3 will certainly add significantly to scale and profitability. Some of them are already speaking to you and to the media about their impending plans.

Ram Charan: So on your question on the scale they are in and do they actually contribute to your profitability and revenue. See, the philosophy has been that the -- and it is -- thumb rule is that AMC will start making money for you once they reach a particular scale, a threshold, so to say, could be INR10,000 crores. It could be INR15,000 crores when they start making money to you. But understand a lot of this is also platform, right, which is that just because a new person is getting added to the platform, you're not going to create an entire new infrastructure for them.

So there will be some incremental people costs that go into it, and there will be obviously some improvements that we'll do from a process perspective to what customization we do from a process perspective. But the philosophy for new customers has been that we will kind of take it slow on the first 1 or 2 years, help them grow to a particular stage, and then we will get to the steady state pricing, right? So a significant revenue contribution generally will come from probably year 2 or year 3, in some cases, year 3, after which I think it will be a question of ramping up profitability.

Within that, given that the investments will not be extremely significant on a new customer coming on board, it actually does not impact our profitability or revenue too much. Yes, there is definitely some increment that happens. From day one, they'll start using our allied services and some of RTA services. But for it to make a difference, I think our threshold is generally, around close to INR10,000 crores, we start actually making some interesting contributions to the bottom line.

Devesh Agarwal: So these thresholds that you talk about of INR10,000 crores, INR15,000 crores, will this also hold true in case of somebody doing only passage? Because some of the newer names, they're talking about only passive strategies. So will this number hold through for that as well?

Anuj Kumar: This could be much lesser in terms of breakeven for people who do only purely digital, only passives. But so far, we have to see on the ground how this works out. We have never seen an AMC specifically like that barring to an extent, Navi.

So once this passive only, or like Zerodha ramps up beyond what it is now, you will get to know. But our confidence comes from the fact that we will be able to make it reasonably profitable in quick time. And post that, it is going to be kind of an increasing trend of profitability. And that's been the philosophy in which we have been handling these accounts.

Devesh Agarwal: Right, sir. And one last one on the non-MF side. So you did mention that KRA is because of a decline in revenues, we have seen some moderation. But payments, I thought, is largely an annuity kind of a revenue stream because it's more driven by the triggers, and which hasn't seen any decline in terms of your number of transactions. So despite that, we have seen a sequential decline in the revenues for payments. Any particular reason for that, sir?

Anuj Kumar: No, no. This is basically a one-off. There will be some annual maintenance revenue that they get from NPCI that they have to collect from the customers and give it to NPCI. So that kind of was a higher number last month. But from a trigger perspective, we have not seen a decline in either UPI autopay transactions, which has shown an increase or in the ACH transaction, which has broadly remained stable, right? So those two have kind of been.

There has been some validations in terms of IMPS that we have done for mutual fund customers that has come down a little and some AMC revenue that has come down a little. But the UPI and the ACH continues to remain very stable. UPI, in fact, autopay has in fact grown in transaction over quarter-on-quarter.

Devesh Agarwal: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management Limited. Please go ahead.

Madhukar Ladha: Thank you for taking my question. So most of my questions have been answered. Just one on this move by this AMC from your competition to you, can you elaborate a little bit on why this is happening? Is it because of pricing? Or is it because -- what is the value that we are seeing in CAMS? Is it because your platform is more robust, quality of service, what is driving? So a little bit more specification and color around why this move, that will be very helpful.

Second, by when do we expect this move? And if you could give some sort of number in terms of how much revenue potential this has immediately in FY '26 and there on. So yes, those would be my questions.

Anuj Kumar: Sure. So Madhukar, broadly think of it this way that in a competitive market, yes, things sometimes sell for price. A lot of times, customers buy value. Like we have said, and I want to practically reiterate, that we do not actively churn competitive basis. We don't. So we don't -- write to them that we can do this at a cheaper price. Would you like to get it done? None of our competitive wins you will see that color, whether new or in somebody's base.

Both Navi and this contract were inbound inquiries, which means they wanted to explore a change, came to us. We wanted to see their determination in terms of whether they're really determined or not. And once we believe that this was a dialogue, and we always end up charging a premium. There is a consistent philosophy that we don't sell it any cheaper than we would do it to our base clients because that's just being unfair to your own base if you sell it any cheaper. So we sell it at a premium.

While do they come? I mean, I will not get into the gory details of this, but it could be the quality of the platform, the service, the business controls, incidence of consumer complaints, other things going wrong, our ability to integrate KRA impairments much better because that's in-house. Our ability to scale digital properties, which allows them access to a much larger customer base.

I think it's a mix of all of these, and people will always have one or two reasons. Nobody has a set of 10. And that's how they take a decision. I think the vindication of what's happening in the marketplace, how I see it is that when we predominantly win at a price differential in new contracts, when we win at a price differential in somebody's base, I think that then just creates a very nice feeling, and things like Ceybank are just adding gravy because that's a market which we don't even cover, which others cover but we don't cover. We don't have a sales force.

But people who have heard about CAMS just want to come in and talk to us and work with us. At our end, we are focused. Like we've said in the past, that we have a large growing portfolio. We're very happy with the quality of the portfolio. So we are also reasonably selective in terms of what we want to go after, and we are not taking on every piece of work which comes our way. The last thing is through price discounting. We don't do that as it happens.

Madhukar Ladha: Understood. And any indication of the size? Yes.

Anuj Kumar: It's an old AMC. It's a small AMC. The annual billing will be a few crore rupees. Think of it as that size. So we will announce the name maybe in the next week or two.

Madhukar Ladha: Understood. Thank you and all the best.

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

Dipanjan Ghosh: So just going back to the yield part. When I look at your equity schemes and the RTA schemes that you charge let's say for your top 5 partners or top 6 partners, there seems to be clear distinction between 2 players versus the remaining 3 or 4. And if they were to realign with the other top 3, 4, it seems that the overall impact on the book, be it this year or the next 3 to 4 years, can be may be around -- maybe as you said, it may be 0.1 to 0.2 basis points on the overall book. Is that a fair assumption that one should work with? And am I thinking in the right direction?

Second, on the non-MF businesses, you have a vision to kind of scale it up to 20% of the mix. So if your MF business with this yield pressure, let's say, grow at 10% to 15%, that calculation will suggest that non-MF has to grow at 30% to 35%. While currently, this quarter has slowed down to 22% sort of a percentage. Now obviously, the capital market activity momentum is something that maybe we can't really forecast. But if markets are to remain subdued or maybe the last year's euphoria doesn't repeat, how is this feasible? I mean, what are the levers that you really have to drive the sort of a revenue growth on the non-MF side?

Third, on the AIF business, your AUM, if I look at it for the last 7 quarters, has been almost stagnant at INR2 trillion to INR2.3 trillion in spite of new logo wins. So is this new client wins, smaller in size or has there been some sort of change? Just wanted to get some color on that?

And lastly, on the non-MF businesses, has the pricing across multiple business lines really stabilized or should one continue to expect that the revenue growth may lag the underlying volume or asset growth in this segment?

Ram Charan: So there are I think 4 questions you had, Dipanjan. So I'll probably try and answer them, and Anuj can obviously come in when needed. So on the yield pressure, I think largely after the reset that happened over this year, basically the April, and you see the results of that for the first -- top 2 -- 3 customers in the top 5 have been reset.

When it's a reset, I mean, the pricing contracts have been renewed for the next 3 years. And we did one for 1 of the largest customers a couple of years back. So while there is some amount of difference between and you can never have the same yield across all customers, obviously because of various factors, including kind of retail intensity, the additional work that we do, the allied services that we provide or don't provide, what we do from a software perspective.

So there are several other things like whether they are KRA, non-KRA, whether we do payment services, don't do payment services. So there are several tentacles to this, and it's not a base-to-base yield comparison, that is the way that both of us look at, customers and us look at.

Having said that, is there a difference that exists? Yes, there is a difference that exists on probably 1 or 2 people. And which is the commitment that we have to kind of get it this towards a negligible level over the next few years. The impact we calculated is not as much as you have. It's much, much less than what you have, which is based on our discussions with our customers and all those things.

So I don't think that the impact that you have, which is 0.1 bps, is going to be the impact that we face. It's going to be much, much lesser than that. What it is, we'll know only when the actual price discussions happen over the course of the year. But this is basically where we are. The difference is absolutely explainable for at least for 3 of the top 5, 6. And probably for 1 or 2, we are getting there. That's basically the comment that I leave on the yield part of it.

On the non-MF, mathematically you are right, we have to grow at more than 30% for us to get this. And we do have visibility to do that, that a quarter here of 22% down. But then if you see earlier few quarters, it was much more than 30%. So I don't think we should read too much into 1 quarter of 22%. I think the building blocks are in place and the new logo wins are what Anuj actually explained in the earlier part of the presentation.

And a lot of it is annuity business. It is just that you get attached to them and they grow along with you, be it a payment kind of a business or being a KRA kind of a business, where multiple downloads happen. We get paid for every download. And we are getting into new areas like cars and we are getting to new areas in KRA, like capital markets and that products are getting embellished, so very, very content of doing it.

Of course, across -- along the way, there could be a scope for an inorganic acquisition that will happen. But all put together, I think we are reasonably confident that we will reach this 20% in terms of the non-MF share of overall revenue.

In terms of non-MF pricing, see, it's largely stabilized. If you see the basic churn we were having was on the account aggregator stuff, I think they have reached a stage where, obviously, there could be some variations here and there, but it's not a steep decline of, say, 50% from what it was in the earlier years or something. It's largely stabilized with a small variation here and there.

In terms of payments, it's all gain largely stabilized, or could be there would one-off deals because of volume that, that could be a higher discount half. But otherwise, I think these dynamics are largely settled, and we don't see much of a difference. And we already had a reasonable amount of visibility and stability on the AIF pricing, which over the last 1 year. So that kind of continues.

So rep is barring some large insurance company contracts, which may come where there could be discounted prices. I think the pricing has again stabilized at INR1 to INR5 in terms of the new policy conversion or for AMC. So I don't think we'll see significant, significant pricing pressure on the non-MF businesses, although there could be pockets where for large deals, that could be less than usual price that we will charge.

On the AIF, our AUM has grown more than 15% percentage in terms of -- it was less than INR2 trillion, and we have kind of come to INR2.38 trillion or INR2.35 trillion is the current AUM that we service.

Yes, there is no -- Anuj, you want to add?

Anuj Kumar: Yes. So when you see the large base that we have acquired over the last 10 to 12 years, while other companies where the base may be just 2 or 3 years old, some of the old funds do fall off. So you will have a part of the AUM, which is falling off. It does get made up from new launches too. But sometimes, in a quarter, these numbers may not exactly be the same.

Secondly, it also takes some time for people to launch and scale. Some are in very, very aggressive entities, which will launch the scale immediately, and some will take time. I think on balance, both for domestic and for GIFT City, from a quality of the franchise, we almost own the entire -- a significant part of the market in terms of names, you can go through that. We are very happy with the quality of the portfolio, the way it is growing. And net of falloffs, we believe, it's a reasonable growth in terms of AUM.

Dipanjan Ghosh: Got it. But the reason I was asking about the AIF portion is because if you repeat this sort of a revenue run rate or maybe a marginal increase in next 1 or 2 quarters, then suddenly, the Y-o-Y revenue trajectory starts looking quite weak. And so maybe the only way you can do it is more schemes or more logo wins. So is that a fair assumption? I mean, some of these things will play out over the next few quarters?

Anuj Kumar: So broadly, what we have said is that we would like to grow MF revenue at 15%, non-MF in excess of 20%. Last few quarters, we've grown in excess of 20%, sometimes in excess of 30% too.

AIF, our belief is domestic AIF and GIFT City is perhaps a 20% growth market, is not a 30%, 35% growth market in AUM. At that level, we are confident we should be able to deliver a baseline 20% growth in the AIF revenue over the coming quarters.

Moderator: Next question is from the line of Supratim Datta from Ambit.

Supratim Datta: My first question is on the MF-RTA business and it's pertaining to yields, but a bit more fundamental. So if I look at some of your large mutual fund clients, they could be paying somewhere roughly around INR100 crores to INR150 crores in revenue to you based on their AUM size.

Now at this size, if it further grows, like you expect AUM to grow within a certain period of time, it could start touching INR200 crores as well. Now at this size, why don't they start looking at maybe in-housing these services? Because after a certain threshold, they could potentially spend this much money and build some of these services in-house. So what stops them at maybe INR200 crores, INR250 crores when the fees becomes INR200 crores, INR250 crores to in-house this service, spend that on capex and maybe build in-house? That's my first question.

And the second question is on the repository business. While there has been a strong pickup in the policy numbers, but the revenue growth has still been only around 12% Y-o-Y. So just wanted to understand how does the policy growth really translate into revenues? If you could help us understand that, that would be very helpful.

Anuj Kumar: Sure. So outsourcing versus in-sourcing, I think, not just for MF-RTA, globally you see anywhere, any industry. The trend has always been outsourcing irrespective of the size of the book or the amount of money that people spend, and that's largely because in our kind of outsourcing, when you see, we run a common platform, it's a common platform.

Our assets are in the range of INR46 lakh crores, INR47 lakh crores. The cost of the entire platform and the operation, the common cost is spread over almost a INR50 lakh crore base. Even if you have a single mutual fund, which is less a INR10 lakh crores or INR12 lakh crores of active money, it is very difficult for them to mimic the efficiency, the steady state efficiency of doing this kind of work because in rupee terms, it will not compare.

Just to give you a number, we have over INR9 crore folios with balances and about a INR1,200 crore plus overall AUM and mutual funds. It translates if I divide the revenue by folios, it comes to about INR130 per folio per year cost and it's a falling cost. And we do all the work that in the world of direct equity, the stock exchange, the depository and the clearing corporation do.

So owning the scope, delivering the results at this cost at the accuracy levels that we do, amortizing the cost of the platform over a very large and growing asset base, I think those are the determining building blocks of the business. Even if somebody was willing, wanted to put the money and was able to build the capability, the net result of having the economic layout the way I'm describing to you will not be possible. And that is 1 of the strong detriments, not just here, but in any part of the world for this work to get in-sourced in a large way. So that was your first question.

On the second part, on the repository growth, I think growth has been very, very consistent. Almost half the REP portfolios got built in the last 18 months. And we believe in the next maybe 2 years, we will build the next INR1 crore policy, so the growth is very steady. The revenue is still split between repository, which is the platform-based business and outsourcing which is a labor-based business. There is still some labor-based business sitting there.

I think the real kicker in scale, so repository by itself is perhaps still not a INR10 crore business. If we just take the platform part, getting close to breakeven, but still not there. I think the next 1 year is crucial as we move from INR1 crore to INR1.5 crores, INR1.5 crores to INR2 crores policies. Close to somewhere in this year, you will see a revenue spike in the pure repository business. It is very efficiently run like any of our platform businesses.

You know that most of our book is platform, whether it's a KRA, RTA or payments or whether it is things like Bima Central or MFCentral. With true attributes of being a platform business where you have a common platform, common infrastructure, the users continue to double or triple, but your cost remains almost the same apart from IT infra. That part will start playing out. I think we are perhaps 6 months away from that point.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: The EBITDA margin improvement what you have seen in the current year or for the quarter. Is it largely because the profitability of the non-MF business has improved? Or is it largely led by MF-RTA itself?

And second, the reason I'm asking this question is that next year, there is actually yield pressure because of the re-pricing. Then is it fair to say that if it is MF-RTA driven then the margins could be under pressure next year or your non-MF business will compensate for any loss in margin because of yield pressure? So that's my first question.

Anuj Kumar: Yes, Sanketh, it is contributive in both. As we have seen that as the revenue is ramping up for the non-MF platform-based business, the profitability profile of the non-MF bucket as such has seen an increasing trend. But however, this is obviously, MF is still 87% of my portfolio. So the profitability increase has also contributed to a big extent by the MF increase also.

The confidence that we will let -- we will not let any yield pressure have a disproportionately higher impact on the profitability stems from 2 things. Number 1 is this is basically, we are reached a stage where a lot of automation is done. For example, there was a question earlier on SIP and increase in cost assets. It's not as if we pay incremental cost for every SIP trigger that we do, right? A lot of these processes are automated in terms of not requiring additional manpower.

Obviously, there will be some hiring that will happen. So that will be 1 lever that we have in terms of ensuring that the profitability depletion is not seen. The second is what you mentioned. It is a non-MF asset business. And as I told you, they are between 10% and 15% EBITDA. And there is nothing that prevents us from increasing this towards 20% plus EBITDA in the next year, given that we have reached steady state in some of these businesses. It is going to be a disproportionately higher increase in profitability going forward on a lot of these businesses.

Whether it's a reduction of loss in some cases or it's an increase in profitability in some cases, at least from the base – bottom line perspective, it is going to be very beneficial. So a combination of these 2, we will ensure that the impact on profitability is not going to be significant. It's a combination of these.

Sanketh Godha: But Ram, is it fair to say that because of the yield pressure given 87% of the business is MF. So there is a fair probability that margins what you saw in the current year might not hold up largely for the next year even if you see an improvement in non-MF business?

Ram Charan: So what you have seen over the last 3, 4 years, Sanketh, you will note is that we have seen a creep up in the margins of more than 100 basis points on a yearly basis.

If you remember, when we did these calls for the first 1 or 2 years, we used to say that we guide a margin of around 40% and a good year probably 42%, 43%. Now in the last couple of quarters, we are clocking margins of 47%. So there is an inherent way in which we run the business as well as the business model, which ensure that there is a creep-up in profitability that happens. And we've also said that we are not in it for profit sharing and we don't expect a margin of more than 50% also.

So I think inherently, there is a profitable bias in this model, which has continued to play out. The fact that there is a yield depletion that happens will probably eat into some part of it. But on an overall basis, yes, there -- obviously, there could be some pressure on margins, but we don't expect that this will be significantly declining or that will be an impact on the margins even when we account for these yield pressure. That is basically reality you've seen over the last 4 years also.

Sanketh Godha: Got it. And the next -- second question which I had was that the 1 or 2 contracts, which you said, 2 mutual funds which will see re-pricing, so after re-pricing, is it fair to say that these companies' yield will be very similar to the similar size AUM what you already charge? Or there still will be a gap and so there could be 1 more round of negotiation in the future to bring it to closer to the similar sized AMC?

Anuj Kumar: So look at this way, and this is the right process that we are following in the market. In any perfect market, all buyers get to know the price that others are paying. Pricing asymmetry is difficult to have for a cluster of customers, a cluster of customers who have assets of, let's say, greater than INR5 lakh crores in the range of INR10 lakh crores, there are people who are between INR1 lakh crores and INR5 lakh crores, there are people who are smaller than that. And I think we have been able to rightsize these clusters.

We do not have pricing, I would say, asymmetries anywhere in the market apart from those 1 or 2 cases. It's always good to attend to them. Like Ram said, we attended to some of those this in '21, '22. There was some impact for 1 year. We've again rightsized everything. So you see profitability in the range of 47% because intrinsically, incremental assets come at very small cost and efficient operation will turn a lot of that revenue into profit.

So look at it like that, it was the right thing to do. We will be doing it over this year. And don't read too much into it in terms of having a large impact on profitability, etcetera, we are taking measures so that most of that will be contained completely.

Moderator: The next question is from the line of Pranuj from J.P. Morgan.

Pranuj: So just a couple of clarifications. One is on your KRA business model. So I think the revenues are largely linked to if you get any pings for the record that is already there in the system. So if new account openings, you've already seen the demat account opening slowing down. So if that happens on mutual funds also, does this remain a risk for this particular business going ahead?

Ram Charan: No, that's correct, that's correct. You have to think of the business as being tightly coupled to the capital markets and the right metric to look at it in those markets is account opening, because that is when the entity or the intermediary comes and downloads our account and they pay for it. Every time they create a new account, they upload the record and they also pay for it. So that's the primary activity on which our KRA business is largely dependent.

You saw tremendous scale coming up because that activity was heightening. In those time periods, when that activity falls to, let's say, 60%, 70% of its traditional momentum, you will see some compression in KRA demand and KRA revenue.

Pranuj: Okay, understood. That was helpful. And second question, sorry to just come back on the mutual fund that is shifting from KFin to you guys. You said that the pricing that you are giving is a premium to your current customer base. But would it be possible for you to disclose if compared to KFin you guys could be perhaps charging lower or you can't disclose that right now?

Anuj Kumar: No, we will be charging higher. That is the term we offer to anyone who wants to come in. We don't sell for price. I mean, broadly, if you see philosophically. So both our principles, we will not sell lower than our installed base, we will not charge less than what he's paying somewhere else.

Pranuj: Okay, got it, that's helpful. And sorry, 1 last question was, would it be possible to disclose the EBITDA margins in your non-mutual fund business?

Ram Charan: Yes. I think while we generally give a range. And I again always caution saying that all these businesses are very different in different stages of where they are in terms of go-to-market. But then just ease of understanding, the bucket of non-MF has got a margin of close to 15%.

Pranuj: 15% EBITDA margins, right?

Ram Charan: Yes.

Moderator: Ladies and gentlemen, since we have had a spillover for over 15 minutes and we have a few questions, the management will be happy to answer these questions offline, and Orient Capital will reach out to set these up. I would now like to hand the conference over to Ram Charan sir for closing comments.

Ram Charan: So thanks, Sibha. On behalf of CAMS, we thank you for your time and participation in this call and your continued support and coverage of CAMS. And for any further information, please do feel free to reach out to Orient Capital or Anish Sawlani, and we'll be happy to after any questions that you have. Thank you once again.

Anuj Kumar: Thanks. Thanks, everyone.

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