



“Computer Age Management Services Limited
Q3 FY2023 Earnings Conference Call”
February 08, 2023



**MANAGEMENT: MR. ANUJ KUMAR - MANAGING DIRECTOR -
COMPUTER AGE MANAGEMENT SERVICES LIMITED
MR. RAM CHARAN SESHARAMAN - CHIEF FINANCIAL
OFFICER - COMPUTER AGE MANAGEMENT SERVICES
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Computer Age Management Services Q3 and 9M FY2023 Conference Call organized by Orient Capital. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchstone phone. Please note that this conference is being recorded. We request all the participants to kindly refer to the safe harbor statement in the earnings presentation. I now hand the conference over to Mr. Anuj Kumar, Managing Director, CAMS. Thank you and over to you Sir!

Anuj Kumar: Good morning everyone and thank you Michelle. I hope all of you are able to hear me clearly. I appreciate all of you taking the time out to join our earnings call. As you may have seen in the results we have had a satisfying quarter and I have a number of things to share with you significantly in terms of operating highlights. As we continue to work in a business environment which had a set of challenges to deal with I think the overall outlook for the quarter in terms of business results has been very satisfactory. I will run you through a structured presentation starting off just in terms of our mutual fund business.

You would have seen that we announced two new MF mandates these are always an important part of our overall endeavor to maintain share and relevance in the marketplace. Helios Capital which is entering the mutual fund market through a new license has chosen to join the CAMS platform. This decision came in the month of November and then Navi Mutual Fund which was an existing mutual fund, but under a new management after a takeover of an existing fund has also chosen to select CAMS as their provider. So that is the good news on the new win on the mutual fund side. Overall on the core business metrics our AUM scaled a lifetime high of Rs.27.8 trillion or just short of Rs.28 lakh Crore. The scale on the back of what I would call steady growth in equity AUM which is of course the most relevant best price, the profitable part of our business mix that grew 6.1% quarter-on-quarter and we will speak a lot more about mutual fund business as we move along.

On the alternative business we saw another very strong quarter, we grew revenue and sales over 20% during the quarter and our digital on-boarding platform which is CAMS WealthServ continued to see sustained interest and a slew of events in the marketplace, it has now crossed as of end of December over 60 signups and we continue to see a lot of interest and momentum in the marketplace as we brought in our sales effort and outreach. On the insurance side where all of you have been following the media and following the regulatory announcements in terms of a Demat regime coming up and mandatory KYC requirement for all kinds of insurance. I would like to call out two things while that topic is

progressing and we all continue to watch specific regulatory announcements what we saw happen in the quarter was that in anticipation of a regime of compulsory Demat consumers voluntarily chose to join up this regime so you will see and although all of this is on a small base and we normally do not call out very stark comparison numbers, but this is a stark comparison number, our insurance accounts the new ones at close to 5 lakh almost doubled quarter-on-quarter and similarly our e-policies during the quarter cross 5 lakh and this also almost doubled quarter-on-quarter, so Q3 over Q2 was a significant growth all on a small base of cost but a very, very positive consumer driven outcome in terms of consumers watching an announcement and then aligning their own behavior to take advantage of the very convenient regime that is about to come into the world of insurance.

On the CAMSfinserv outside which is our account aggregator business I think we continue to report positive news in terms of going live with several FIPs and FIUs and continued to win business. One of the things on the highlights I would like to call out is that CAMS is now pioneered the usage of account aggregator data for bank account validation as you know for any format update payment across industries whether it is insurance, mutual fund, NBFCs, banks so far Rs.1 penny drop or a penny drop through IMPS has been considered a very convenient tool. The first time we are trying out account aggregator data to validate bank accounts it is a nice beginning, this is the first experimental usage of this use case and we will continue to share with you as we scale this. We have also been the first one to go live on the account aggregator platform with pension data as an NPSCRA as an FIP. Insurance companies as you know have started integration with the ecosystem the mutual funds are beginning so that as the story completes will herald an era of almost all kinds of financial services, sectoral entities joining the account aggregator platform.

On the overall innovation and technology side again which is from Q2 highlights that I will share with you which you perhaps read about on our website and other media news. One is that CAMS won the Cloud Innovator of the Year award from NASSCOM this was particularly in reference to putting out a fully on cloud NPSCRA platform and like we have said even in the past we were the first ones and this has been acknowledged quite well by a very large industry body like NASSCOM and then just deepening the trend of technology-led innovation, technology-led experimentation, tinkering what do you want to use, so we have gone live now with our Fintech Innovation Lab with IIT Madras as you know amongst the IITs all of you who have been tracking IIT Madras has perhaps got a place of pride in terms of doing industry collaborations and generally having interfaces which are very, very strong with industry, so as part of our overall CSR initiative we have gone live with this lab and we will have interesting things to report as we move forward and engage the brightest brains in the country both from the faculty side, students and other participants in bringing



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out services, conveniences, utilities and perhaps products which will start influencing the lives of people that we want to build.

On the NPS side we continue to retain the number two position and that it is still not one year since we launched just short of 10% some got 9.2% market share. What is also happened is that we are now seeing subscriber addition not just through eNPS which is something that I just spoke about what are POP retail linkages where a point of presence has retail traffic on their website and then in that traffic starts registering with CAMS CRA that process began sometime in December. We are seeing a build out of volumes the consumers continues to remain over 90% so quite happy with the progress in all of these new initiatives that we have been sharing with you all through 2022 and all of you have been curious about when they become I would say heavy in terms of subscriber interest, B2B interest and ultimately revenues.

Moving on just in terms of growth in overall AUM which is basic core operating metric on which everything changes in our industry. Despite the times that we are living in where you know that there have been a set of macroeconomic factors all through FY2022 nothing much changed in the quarter we are talking about. We have lived through those challenges, also we have lived through an interest rate regime that continues to scale interest rates to almost levels which are not very precedented in the recent past. Given that backdrop it has not been very easy I think our overall AUM growth has been satisfactory, we are now reporting a lifetime high of Rs.27.8 trillion and like I said this has largely been riding on a smart equity AUM growth both year-on-year and quarter-on-quarter if you see the numbers you will see almost 18% plus year-on-year growth number over the past quarter. Equity AUM at the end of the quarter was just shy of Rs.13 lakh Crores at 12.9 also I think a significant metric is I know all of you are watching inflows our equity net inflow share has gone to 63.7% of course we continue to watch this closely as the summer builds out and I think one thing it is building itself on is the monthly SIP collections and I will just come to that, but I think overall at the foundational level despite what we are seeing structurally I would say these are very positive trends to look at. (Line was static and reconnected) SIP registrations holding between first, second and third quarter at a number above 37 lakhs growing about 2% from Q1 to Q2 and Q2 to Q3, net of attritions and net of fall offs I was happy is grew by about 12 lakh in the October to December period, but I think very strong steady metric is the 7800 Crores per month of SIP collections during the quarter and this as you have seen our case has continued to go up obviously there are no certainties, but continues to go up by an average of 150-200 Crores a month and I think that is almost from the bedrock of equity net sales in the industry this number grew by almost 6% slightly ahead of industry growth.

Transaction volumes grew you can see in the chart again a good measure of customer engagement and I think when you see new fund offerings and we are going to talk about two segments, some new fund offerings in equities we had a 70% share of collections in that we had 86% share so the two categories which really matter. I think both from a new fund offering and SIP collection and share of equity net inflow those have been very steady metrics leading to where the AUM has been and I think like I said given the backdrop of the times it is all holding quite well move forward. We spoke about the new initiatives. On MF Central I think the trend of consumer participation and consumer satisfaction that line is holding very steady. The apps have now crossed a daily login of 10000 of course this number our aspiration is to scale it significantly several x times where it is, but at 10000 it shows a good index of consumer participation and then when you see in terms of other value which is not just consumers coming to the app, but consumers going to any other app or website and being able to access this information MF Central has now got live APIs, absolutely live APIs where you can pick up your command account statement this includes all your major fund data it all means it gets live API based data from the depositories only the MF data by the way not the stock data, but that comes in both for your ETF holdings and MF holdings and of course everything that is in the RTI record the first of its kind and then as that is live and as we continue to scale it there is more happening on the financial information, financial transaction side and the non-commercial transaction side where we are making distributor-based APIs live now and that will then broad base the usage of this utility to direct consumers, to customers who come to the app and website directly and to all consumers who may be using any other partner app or website, but will be using the data cache and then the transactability through the financial transaction and non-financial transaction APIs.

In terms of market share then 68.3% market share like we have said largely riding on a 6% quarter-on-quarter growth in SIP collections, 23% plus year-on-year, overall AUM at 27.8 trillion grew for about 4.3% year-on-year, 2.9% quarter-on-quarter and similarly equity AUM as you would have seen continue to grow well 18.8% year-on-year, 6.1% quarter-on-quarter. Other metrics you have seen the transaction volumes, the SIP book has grown 20% annually like I said very strong foundational metrics, SIP book stands at very close to Rs.3.4 Crores 44 million, we processed 97 plus million SIP transactions, live consumer folios, investor folios close to 5.6 Crores now grew 13% year-on-year and unique investor service are a little over 24.5 billion so about 2.45 Crores again grew 14% year-on-year.

On the alternatives business like I spoke when we were talking about the headlines the AIF business grew 20% year-on-year in the third quarter almost 70 new AIF and PMS mandates won so more than one per week during the quarter just holding out the trend that we have faced or that we have experienced across almost the entire year calendar 2012, 60 funds



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have signed up for AIF and PMS digital onboarding that CAMS well served. On Fintuple we continue to make inroads with marquee clients and then on the GIFT city we are now scaling operations and we are present for GIFT city operating with seven signed up clients.

On the account aggregator overall total 55 account aggregator and TSP wins large, medium, small all kinds 20 in the third quarter. I spoke about the customer account verification that CAMS is pioneering across the industry through account aggregator data and we plan to scale this and make it a lot more popular. We have been to all the major metros engaging with the consumers B2B connects of all kinds in terms of holding events to popularize the concept across various use cases including wealth management and overall over 18 banks and one life insurance Company are live as financial information provider.

On the pension side like we said we are the first to go live on the account aggregator platform with pension data. The IRD entities are now initiating the integration journey and then high volume cash flow-based lending use cases using GST data are now beginning to become popular and then we are billing out capabilities and utilities to take all of that to market. On the CRA side you would have seen various numbers that we put out I think the significant thing is over a 9% share in eNPS continuing to hold the number two position in the industry commenced our entire journey on POP retail customer acquisitions so have taken about seven POPs live and are beginning to get traffic from them starting in the month of December and then I think from innovation and transformation perspective industry first features of CAMS CRA using eKYC data to onboard pension customers and then UPI based bank account verification, these are things which are being noticed by the industry including the regulatory circles and are actually being recommended to our peers for them to implement just like CAMS has implemented.

On the cascade side just from a product and markets perspective UPI auto pay feature is now live with seven clients very popular including for mutual fund purchases. We have gone live with insta SIP where a same day SIP can be started by making a one-time investment and then setting up an auto pay kind of mechanism for the same day and similarly we have continued to scale various business features including Insta eNACH and giving out business app to our B2B consumers for merchants and their customers to experience a completely frictionless journey in the dealings of CAMSPay.

On the CAMSRep side we had spoken about two things in the last quarter one is KYC to become mandatory for purchase of any kind of insurance that has now gone live and we are working with partners and clients in order to be a large participant in that space and then I think from consuming numbers perspective I have spoken about 2x growth from 2x to 3x in the number of e-insurance accounts that were opened and in the number of e-policies which

are important to the insurance accounts like I said stocks very nice growth numbers coming off a small base, but a good measure of what consumers can do by themselves even before there is a regulatory framework as consumers open these accounts and pull their policies themselves, we now have over 4 million insurance accounts, five million plus policies.

On our AI infused initiative to pay back unclaimed insurance amounts to consumers we are now doing this for several insurance companies started with a base of Rs.750 Crores of unclaimed amounts and then managed to spot the right claimants for about Rs.135 Crores and pay some money so I think that product is now going quite well and will continue scaling in popularity because finding the claimants of unclaimed moneys have been continuous to remain a priority for insurance companies, it is a priority for all kinds of financial entities just to make sure there is transparency with respect to this operation, so that product feature has gone very well. I will pause here and then hand over to my colleague Ram Charan to take you through all financial numbers after which we will be ready for Q&A.

Ram Charan:

Thank you Anuj. So I will take the next five minutes to go through the financial numbers for the quarter. The revenue for the quarter we ended up Rs.243.57 Crores, this was up 2.5% year-on-year and 0.5% quarter-on-quarter. As you know the component of the revenue, there are three components one is the asset-based revenue, one is the non-asset based revenue and the non-MF revenue. During the quarter on a year-on-year basis for the same quarter our AUM equity grew 4.3% we ended the quarter with Rs.27.83 Lakh Crores as opposed to we had Rs.26.99 Lakh Crores in the same quarter last year, so there was a 4.3% up on AUM. The asset based fee also tracked the same number, it was a 4.5% year-on-year and we ended up Rs.187.5 Crores of asset based revenue. The second component, the non-asset based revenue, we saw a dip year-on-year a sharp dip of 8.8% this dip was mainly driven by the drop in transaction revenue during the quarter and lesser NFO revenue during the quarter, the earlier there were a lot of slew of launches that happened from a NFO perspective and there was some amount of depletion from miscellaneous application revenue, so on a year-on-year basis there was a sharp dip and a non-asset based revenue, but the asset based revenue track the growth in assets. From a non-MF revenue on a year-on-year basis we grew 4.2% driven again and it was mentioning about the smart growth that we are seeing in the alternate space /AIF space so driven largely by the traction we are seeing on the outlet investment fund sign ups as well as revenue. We grew a non-MF revenue by 4.2% year-on-year, there was some amount of increase because of higher transactions processed by a payment platform CAMSPay; however, there was some decrease because of the new KRAs coming onto the system, so KRA revenue was lesser than the earlier quarter. So on an overall basis the summary is that asset based revenue year-on-year track the growth in assets is 4.5%, the non-asset based revenue depleted in 8.8%



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driven largely by transaction revenue, NFO revenue and the non-MF revenue increased year-on-year basis 4.2% driven by alternate investments and payment businesses, but on a quarter-on-quarter basis the revenue increase was 0.5% out of which the asset based revenue grew 1.4%, the assets growth during this period was around 2.9% so there was a reduction from the overall asset growth to asset fee growth what we see in the current quarter which leads to the question on yields which I will touch upon later and on a non-asset based revenue it was almost flat just 1% quarter-on-quarter down again driven by reduction in the transaction revenue that kind of largely drove the small reduction in the non-asset based revenue quarter-on-quarter. The non-MF revenue degrew by 3.9% quarter-on-quarter, this was largely driven by some reduction that we saw on the payments businesses during the quarter; however, we see some sort of increase in revenue that is coming to us from the payment business in the fourth quarter but overall the non-MF revenue decreased by almost 4% driven largely by reduction in the payments businesses and some amount of KRA business.

From a yield perspective we consistently have guided that given the telescopic pricing and sometimes the price discussions that happens with customers always there will be a lag between the asset growth and the asset fee growth our long-term, medium-term trend has been between around 75% to 80% percentage of the asset growth will translate as asset fee growth over the year and over the nine month period although we have seen stable yields largely driven by the fact that although there has been some price depletion this has been compensated by the favorable mix ratio that we got because the equity mix has recovered smartly it was around 46.4% for the quarter so any price depletion that happens because of the reasons I mentioned has been largely compensated on a year-on-year as well as a nine month basis by the mix; however, on a quarter-on-quarter basis the equity component growth was less pronounced it was 45% to 46% of the growth that we saw and as we had mentioned last time this year has also been the year where there are 11 to 12 of our contracts of the 17 customers came up for renewal and due to various reasons including COVID and various reasons they got bunched together in a single year for renewal. We are happy to say that all the contracts have been renewed and overwhelming majority of those have been rolled over with more price increases. One or two contracts which were long-term which came up for renewal over five years there is some amount of reduction that has happened so all these together with the mixed impact is contributing to what you see as stable yields on a year-on-year basis; however, on a quarter-on-quarter basis we have seen the yield drop at 0.03 bps that is the commentary on the yield I wanted to leave you with.

We will just move on to the profitability index and the matrices. As we had consistently guided what we are aiming for is the EBITDA margin of 40% plus and we have seen over the course of the year the EBITDA margin has kept inching up right, we had a first quarter

EBITDA margin of 41.4%, the second quarter was 43.3% and the third quarter inched up further to 44.5% so we enter the quarter with an EBITDA of Rs.108.32 Crores, on year-on-year basis this is actually up, it is down in terms of 4.4%, but we have seen an increase in margin profile in the course of the year as we progress from one quarter to another. We would like to remind you that this number also includes the entire expenses we are eating on the new initiatives like the account aggregator, like the TSP business, like the MF Central Business that we are launching and the increased expenses that we are incurring from overall cloud perspective for various initiatives that we are running, so the investments in the new business during the quarter has not been slowed down, they continued to be incurred in terms of technology, in terms of platforms, in terms of licenses. As we have consistently guided we feel that the revenue from these operations would start yielding results from the first quarter of next year till then this is an investment phase we continue to incur and we have not slowed down the investments for any reason in the last few quarters. Given all those things we feel that the margin is a credible number of 44.5% for the current quarter. The PBT for the quarter is Rs.97.94 Crores that is 39.1% and the PAT is 73.72 Crores is 29.4% again 2.2% up quarter-on-quarter, but 4% down year-on-year. We ended the quarter with a cash and cash equivalent of Rs.479 Crores of cash in our balance sheet in terms of liquid funds, deposits and balances and the return of networth was close to 40%. The Board was pleased to declare an interim dividend of Rs.10.5 per share in its Board meeting yesterday it has since been notified, so all in all the quarter has been characterized by muted growth from asset based revenue perspective, not much of a growth from a non-mutual fund perspective; however, due to the additional investments that we are continuing to do in the various initiatives that we have taken including MF Central, account aggregator, TSP, CRA, etc., which we feel will bear fruit in the coming year, we were still able to maintain margins at a healthy 44% plus, so with this I hand over the call back to Michelle. You can open it up for questions.

Moderator:

Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh:

Question I was asking that majority of our revenues are tied up with the mutual fund and the other revenues are picking up, so now as you are getting more stability on the other revenue streams so can we have sort of the medium term mix last year and year after that some sort of revenue mix expectation assuming that the mutual fund sort of industry maintaining steady growth, so some this MF versus non-MF revenue mix is going to pan out that is number one, second if you can help us understand eventually the revenue model if any? Thank you.

Anuj Kumar:

Let me take that I think you have heard us say in the past that we want to diversify a revenue outside of mutual funds and scale it from current levels of 10% let us say 20% of company revenues. There are three or four businesses that we need to work on and scale and they all have I would say significant promise, the alternatives business is to an extent delivering that promise right now because it is scaling beyond company growth rates and to an extent beyond mutual fund growth rate so that is a good trend to be at. Insurance our expectation is once this announcement gets implemented and if you see deepening of the trend that we have just shown you insurance repository could be in that space for the next few years and then account aggregator could go that way again like we keep saying that it is still perhaps slightly early day, but we are focused on these three businesses to scale beyond company growth rates and produce the diversification anything else that we may do on the inorganic side should only add to the overall trend. Is adding many more new products going to be the answer the answer is no in terms of how much we can invest from go to market and product build and how much can we consume the teams in these pursuits I think we have the right balance, of course the payments business is also there and the payments business has scaled like 50% of the output comes from the mutual fund industry, the rest as diversified. So we think we have a fair mix of products and we will continue sharing with you as the scale up happens over this year in the coming years but it is our absolute focus to grow these alternative businesses or non-mutual fund businesses faster than company revenue growth rate. On MF Central you know that this is more constructed and designed like a consumer utility and we have been building it also 21 when we launched it towards the end of the year. We have nurtured it to the current size and shape all of 22 and we will continue scaling it of course right now we are not expecting that revenues will even equal costs they will not that may take another four to five quarters, six quarters to happen, but once we get to that point I think it will be a good point where it becomes a self-sustaining property maybe at the end of this year that is an aspiration is that going to be a completely profit focused, revenue focused entity, the answer is no. It is more built like a public utility to just add a significant layer of convenience for the mutual fund investors and I think philosophically that is the way we continue to look at it.

Avinash Singh:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Just a few questions. Sir firstly could you throw some like on there is a lot of media talk again of steady kind of relooking at the expenses of the TER for the industry and kind of talking about consuming the brokerages and other elements, GST element also into the TER, so effectively the yields of all the AMCs will decline and possibly some part of it will

be passed on to you, so in the revision of the contract that we all have done is there any clause wherein which allows the AMC to renegotiate immediately say the announcement comes in three to six months?

Anuj Kumar:

Prayesh you are right. There is this live topic and it has the components that you refer to which means are the components of the TER what is outside the ceiling that there are various components outside, there are some components like transaction charges and for certain kind of cities if you get consumers from there, so all of that is it is public news, is under examination what will happen time will tell, we are watching it as closely as you are. Again the only point I would like to underscore is that from a scope delivery perspective RTAs have continued to expand a scope every year, we do more and more things and I think that is evident to the mutual fund industry that we are doing more and more things for them. Is there any clause as a specific answer in our contracts that they can come and renegotiate, etc., of course there is nothing like that, we are watching the space we will see what the outcome is and if anybody wants to start a dialogue obviously we know then we have to defend our overall value position and we have to defend our charging which we have done successfully in the past as you are aware, but to answer your question there is no specific clause like that.

Prayesh Jain:

Okay great. Coming to the second question is actually on the margins you are mentioning that in spite of the investment that you all are making and improve businesses the margins are healthy at 44% and really commendable job for doing that. My question is more on from Q1 FY2024 where possibly some of these businesses that is gearing up do you think that you will start moving EBITDA margins more towards say 46%, 48% in that zone or do you think that you would retain some part of that profitability and invest in some other businesses and maintain the EBITDA margins at the current level, how should we start thinking our EBITDA for next year onwards?

Ram C Sesharaman:

I will take that question, just as a quantification I think you got the delta right which is that we spend almost 1.5% to 2% revenue in the new investments which currently do not have significant topline or material topline, the way we look at is and we will have to keep providing for the expenses from a wage inflation perspective, from a security perspective our software expenses if you see the operating expenses for the current quarter the bulk of the increase is because of the additional investments we are making on cloud, on platforms, on security, on various licenses, cutting-edge technologies on databases, tools, etc., so we do not see from our perspective that those investments would stop or decelerate in the next year. Yes, there will be welcome addition to the revenue in terms of the new initiatives again the ramp up would not be dramatic over one quarter we expect that the ramp up will be gradual over the next year. Having said that from a margin perspective I think we are

comfortable with the margins and the guidance that we are giving on the close to 43% to 44% in fact early 40s will be a good margin for us to aspire for, we will continue to make the investments on people, technology, etc., so while the revenue from the topline will continue or will kind of help us the investments will not slow down so I do not think we should expect a dramatic increase in the margin profile from next year. What it will do is free up more resources for us to keep investing in the other initiatives that we have in mind so the margins will continue to be range bound is our thinking.

Prayesh Jain:

Okay thanks for that and another question is on the insurance repository business now we spoke about the settlement of the claims which were not earlier settled is that kind of an activity chargeable and my question is more broadly as to what are the services that you are currently charging for and what are the incremental services that can come through and currently what is the size of the industry and what do you expect the industry size should be say then there are actually non-state implemented?

Ram C Sesharaman:

Okay so I will again answer the question in two parts. One is our insurance current revenue has got two parts one is the outsourcing business which is the labor business where we work on various customer systems from a policy servicing perspective, from a persistency perspective, but the focus and the growth will be on the second part which we are talking about which is the insurance repository business. The repository the current charging model is that we get paid for a policy conversion which is that a policy that is converted into Demat or electronic we get paid by the insurance company. Secondly we get paid an annual maintenance charge which is for maintaining that policy in our electronic platform, thirdly we get paid for the transaction revenue. The transaction revenue currently is limited the scope of the IR asset exists today is limited to maintaining the master data and the policies. The plan is actually very deep, we plan to do various things and the initiatives have already started and getting implemented. In terms of enriching the platform to be a policy servicing and ensure servicing kind of a platform where we are building in various assets including like the statements, the surrender value computation in terms of other servicing requests probably even clean processing, so these are rich in transactions and policy servicing which will kind of give us additional transactional revenue going forward this is the enhancement that is happening as we speak which would probably take a quarter or two for it to get fully into revenue, but this is our scope. In terms of IR specifically on policy conversion I think all of us are aware of the numbers in terms of the policies that are live and not Demated, people are talking about 45 to 50 Crores policies that could potentially get Demated including those with LIC if the regulation comes through, now that is a big if so we do not know what shape and form the regulation will take place. It is going through its own in terms of discussion papers and notes and committees in terms of how this will pan out specifically, readiness in terms of infrastructure IRDAI is closely on the job and monitoring

in all IRs and we are also one of the committees which kind of goes through this, so we will have to wait for how it pans out but if and when it comes in the course of the next year we would expect that this will create a big market for policy conversion as well as the platform that we are building for policy servicing. The one new development that happened is from January 1, the KYC has become mandatory so that we will start getting action on that in a quarter or two from now even the motor insurance policies would require a KYC which was so longer not mandated, so the lot of happening in that system we will take probably a quarter for all these things to settle down, but everything is tending towards the positive direction in terms of incremental revenue.

Anuj Kumar:

Prayesh I will just add to this, just think of it in two dimensions. One thing that when a mandatory Demat regime comes the 2 Crores or under 2 Crores policies in Demat can scale to Rs.50 Crores and that is a significant multiple in terms of scaling of an industry will that go through a bit of price shifts, etc., any industry would, but net of price shifts it will get a revenue scale of several x times could be 10 to 20x that is point number one. Point number two just look at the way you deal with mutual funds versus the way you deal with insurance, you do not deal in the same way. Mutual funds have allowed you to, there are aggregator platforms think of my CAMS so think of MF Central where you can do everything in one place irrespective of who has sold you the insurance and who has manufactured it. You will do things in one place that format is right now not available. The e-insurance account will herald that format it is a significant consumer convenience which will lead to large-scale changes in consumer behaviors because consumers know that behavior in other industries why will they not use it here, the question to ask is will all that become a commercial activity, will it be paid for, will it help revenue scale, etc., but I think those are the two broad themes I will encourage you to think about and base your thought process on.

Prayesh Jain:

Great. Thank you so much for all these answers.

Moderator:

Thank you. We have the next question from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha:

Thank you for the opportunity. Again the question is on insurance repository, in the mutual fund industry if LIC chooses one party it becomes the sole repository, so are you seeing the similar trend happening in the insurance space so for example if HDFC Life or LIC has chosen to open all the insurance accounts or e-policies whether it will be one insurance repository or if they will socialize it or giving it to more insurance repository, so just wanted to know how it is going to play out and second you touched upon the pricing, but just wanted to understand how the pricing according to you will change from the current

level whether you expect correction from current what you are charging or you will see a marginal correction, but it could be a meaningful number on the topline?

Ram C Sesharaman:

I will take this question. From our understanding and what is prevalent from a market perspective is that there is no monopoly or one insurance company going to one eIA, primary choice is with the insured person to kind of where he wants to link his account with failing which I think the insurance companies would kind of allocate it. What we are seeing is that we do not see many cases where they work only with one insurance repository it is definitely more than one, so we do not see this RTA kind of a one-on-one relationship from insurance repository to insurance company so it is more kind of more spread out among multiple eIA obviously primary it could be the choice of the insured also to pick the eIA provided to whom he wants his account settled. From a pricing perspective we are now it is probably high single digits in terms of what we do for a policy conversion. It is only natural that for a given volume where we do five to six lakh policies in a Q2 which is multiple Crores it has only been natural that we will expect a sharp depletion in the policy cost, it will not be marginalized in 5% or something like that we expect it to be sharp especially given that we will have to wait and see what happens to the biggest insurers, how they are going to join this market, what is going to be the architecture for them, but we would not be surprised if the decline is sharp and it is not just marginal 5% here and there that is our expectation, but having said that what this number will be it is entirely demand and supply dynamics and who is going to kind of opt for what eIA accounts so that we have to wait and see, we do not know the exact indication for that probably a quarter or two from now when there is no regulatory certainty on this in terms of the shape of the guidelines, as you know they are being upgraded from guidelines to a regulation perspective that is the aim of the IRDAI, so all those things get published over the next three months, we will have a better clarity on what is going to happen, but it is only natural to expect that there will be rate depletion.

Sanketh Godha:

Got it, but this is from the market share point of view, the insurance repository today we enjoyed around 35%, 37% market share in the insurance repository but as you rightly said it is 32% of the entire policy dematerialized so with this I wanted to understand that this number you expect you to stay there for the entire unit when it becomes for the entire universe or you think there could be a natural depletion in this market share in a bigger size?

Ram C Sesharaman:

As you know there are four providers as of now who are doing these services and two actually have similar market shares of 35% it is us plus one more provider, of the four one is not very active at least until the last quarter and one is kind of a lesser market player. Now obviously our endeavor will be to retain and if possible increase our market share on

this and all our efforts are going towards that. If we are kind of diligent on that and do our work properly we do not see why our market share should decrease obviously we are working to maintaining and increasing our market share, so yes obviously it is going to be a hard-fought market so we need to kind of work towards that, but I think all our attempts are being made to ensure that we either retain or increase our market share.

Sanketh Godha: Got it and the last one again on the insurance repository and you rightly said that from January 1, all the non-insurance policies or for all the policies the KYC has been made mandatory, so I just wanted to understand the trend whether it has been outsourced to insurance repository or our insurance company for motor or a health, are preferring to do it in-house rather than outsourcing to you people so how is the trend today and if it is in-house how you think you will convince the companies to insurance repository?

Ram C Sesharaman: We have some value proposition, it could be tied up to your eIA account opening, etc., so there are some strategies that we have thought about, it is very, very early stage Sanketh so we have to see the trend is emerging especially at the time of maturity this will actually pick up right so it has just been introduced. We have a proposition from a e-KYC perspective, KYC purposes which we feel is very strong coupled with a eIA account opening, we are going to the market with that I think a quarter down the line I will be able to answer your question with exact details and what market is doing because I think everybody is on a figuring out basis now, so we will have to wait for a quarter for clarity to emerge.

Sanketh Godha: Got it and lastly on LIC I just wanted to understand what is our intent in the entire game, so LIC is inching to do it in-house either the e-policies or they are open to outsource this to the repository industry?

Ram C Sesharaman: We have no concrete information on that as I said we will have to wait for more clarity to emerge from a regulatory perspective what the shape of the guidelines is going to be regulation is going to be and how they are going to react so I can be premature to speculate on that and we have no concrete information on that.

Sanketh Godha: Got it, perfect answer. Thank you.

Moderator: Thank you. The next question is from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: Thanks for the opportunity. Sir my question again is a continuation of the earlier participant, so the insurance repository revenue currently what is that for us?



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Ram C Sesharaman: We have insurance repositories, the overall including outsourcing we do not give a full figure but I will tell insurance repository if you do six lakh policies what the approximate realization will be, on overall basis the insurance vertical for us is around 4 Crores to 4.5 Crores a quarter is the revenue.

Ajox Frederick: This can go up to 10x assuming that we maintain our market share and a majority of the policies so that is the direction we are looking at right?

Ram C Sesharaman: Let me just clarify this is the insurance vertical so out of it that is outsourcing as well as the repository revenue, repository revenue for a quarter will be around less than a Crore of rupees so that is the component of this. In terms of growing 10x again this is obviously we are looking at a positive uptick to this revenue, how dramatic that is going to be we will have to wait and watch, but we are very positive that this is going to be a reason for us to show increase in revenue definitely in this vertical given that we are well positioned, we are 35% plus market share, we have been in this place for seven years, we have the IT backbone ready, we have the IT infra ready, we have connects with the customers and insurers ready so we are very hopeful that this will be a huge uptick in our revenue but everything is dependent on how the regulations pan out in terms of compulsory Demat.

Ajox Frederick: Got it, that is very helpful. The other question again is on the TERs cut so how was this last time when the TERs cut, did the AMCs upwards immediately after the regulation came in or you did have the existing contract going on for some time, so how it happen last time?

Anuj Kumar: Last time when this happened in 2018-2019 you may have seen that a number of leading AMCs made a public statement that they believe they will reset the larger components of cost largely connected to sales and distribution. In that year if you see historically any impact that we took was very, very small on overall price, so I would not say we did not see the pressure, but we did not see any unreasonable pressure of people asking us to scale down prices. Also like we said if you just compare the larger components of cost in this industry especially sales and distribution which is perhaps I would not say an exact number, but an approximate number 8x to 10x as big as RTA cost, the ability of ourselves on RTA to scale down prices is obviously very limited, but to answer your question the impact was not severe or unreasonable it was what we expected and did not lead to any significant number in price cut.

Ajox Frederick: Got it Sir. Just to reiterate as of now whatever we signed with the larger AMC that was true for the next couple of years?

Anuj Kumar: That is correct.



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- Ajox Frederick:** That is very helpful. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Good morning. I had two parts question on opex. Firstly you mentioned investments will continue into new businesses going ahead, is it possible to qualify at what stage we are in terms of investing in these businesses in terms of let us say getting them ready for future growth?
- Ram C Sesharaman:** What we have mentioned is that okay I will split onto various businesses, so the investments are predominantly into AA TSP, the CRA business, the MF Central and insurance repository getting it ready for the next uptick that we are seeing broadly on these businesses. The AA TSP we have seen green shoots in terms of sign ups and all those things, we expect that the revenue will be gradually ramp up starting from first quarter of next year where they should start contributing material amounts to the topline. We have seen lot of sign ups, but obviously this is the first time it is happening so in terms of linkages, in terms of technology testing, security guidelines, etc., and obviously ecosystem will also have to be ready. Now we have seen the mutual funds have to sign up with this, we have seen the pensions getting live on this, so we expect that from the first quarter of next year, the revenue will gradually start picking up. In terms of CRA you have seen the eNPS has become live and we have seen traction on that, but the POP which is again a very big revenue source for us has become live only from this quarter, so again the revenue will start, which is going to be slow burn in terms of revenue, so again you would see a gradual ramp up. The investment and insurance we spoke about the earlier questions it is kind of we are making proactive investments in the platform to make it ready for investors, to make ready for insured servicing as well as policy servicing, again this depends on the regulatory guidelines, if the regulations get favourable and passed over the period of next year we will see a big uptick on the revenue. So while the contribution to the current P&L is absolutely not material we expect that starting from first quarter of next year all these businesses some of which is already live right. It is only a question of customer acquisition and scale and MF Central also falls in the same category will start giving us revenue from first of April next quarter in a gradual ramp up way. I think from the investment perspective we have seen this quarter and next quarter will be when the gap between the expense and the income on these verticals will be the maximum and then they will start narrowing down from the quarter aspect.
- Abhijeet Sakhare:** My question is also more on the opex side because there seems to be like some visibility that you have that you need to continue to invest in these businesses, I was kind of wanting

to understand where we are in that stage of investment cycle in terms of building these businesses, revenue obviously will take full time and is subject to how the market also evolves?

Ram C Sesharaman: From an opex perspective I think we have reached a stage where the stability of expenses will happen as we told you we spend around Rs.3 Crores a quarter on these expenses predominantly on Cloud and on the platform and technology engineers we spend around Rs.3 Crores a quarter on these initiatives, this is actual expense taken to the P&L. From the expense perspective we do not see there will be a lot of optimization that will happen, so there could be a small drop and small increase, but this is kind of steady state, before we will continue to invest in these technology resources, the platform is not a one step go to market there is going to be continuing enhancement that is going to happen, feedback that is going to come from the market and enhancement we have to do from a security technology perspective, so I would not expect the huge drop in the opex we do on these platforms it will be more kind of revenue kicker that we will get.

Abhijeet Sakhare: Got it, that is helpful and lastly on the non-controlling interest line there was a marginal loss, which is that entity that is letting to that loss?

Ram C Sesharaman: If you remember in April of last year we acquired an entity called Fintuple Technologies in the alternate investment space so that is a kind of marginal loss for the quarter, again we are in the ramp up stage, we are startup in the ramp up stage, a very good order book visibility, this is going as per plan. We knew that the first year is going to be kind of investment for their platform. So going forward given their order book we are confident that from next quarter it will not be a negative, but again from overall perspective it was a small immaterial amount as a loss.

Abhijeet Sakhare: Got it. I am sorry crosschecking the increase on the depreciation line this is a reflection of what the investments have happened, there is no change in accounting policy?

Ram C Sesharaman: Absolutely not, no change in accounting policy, if you see we had record capex done over the last two years, Rs.65 Crores and Rs.70 Crores and all those things, so given the three year depreciation you will actually see a spurt in depreciation which we have seen in the last few quarters and we have seen in the current quarter also there is no change in depreciation policy.

Abhijeet Sakhare: Got it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Anshuman Deb. Please go ahead.

Anshuman Deb: Good morning and thanks for the opportunity. You briefly mentioned about the yield cut that has happened for some select accounts and largely we were able to pass on or pass through the new renewals, so if you could just give us some description on the like-to-like yield cuts which have happened in the MF accounts?

Ram C Sesharaman: We would not get into specific customer contracts, but suffice to say that a large part of it got rolled over. There were few contracts which came up for renewal after five year period and things like a very, very long term period and in the period that if they had shown and they had shown significant, significant growth there was some amount of yield price distribution that happened, but again nothing that we would think will alter our assumption or guidance saying that the growth of AUM fee to AUM will stay within the reset we have indicated which is 75% or more. This is as I said an exceptional year where we had 12 contracts come up for renewal out of the 17 customers right, so this is not something that will happen on a every year basis given that they are renewed for different periods. The overwhelming majority we did rollover, in terms of quantification we would not like to get into specific individual customer contracts, but this is the broad guidance that I can say.

Anshuman Deb: Perfect Sir. Thanks a lot.

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

Sahej Mittal: Good morning. Just one question on the insurance repository business, so what is the incremental market share on the new slew of motor insurance policy and is there a right to win for CAMS in this business given that everyone is turning more and more competitor for this business, so there is a new insurance policy coming up for them to choose CAMS over someone else is there right to win or this is largely accommodated?

Anuj Kumar: You understand think of today's consumer tendency to participate in eIA is largely for life, motor insurance coming into this has not become a trend yet, it will take some time for that to become a track, overall we would have seen that we have overall this is market share and e-insurance account has crept up from 36% to 37%, so I can give you broad share number, I think motor insurance will take some time for consumer tendency to form these e-insurance accounts that is not a very pronounced trend yet.

Sahej Mittal: Do we have right to win?

Anuj Kumar: The right to win comes like think of this way and think of the architecture of the industry that you will have one insurance account, so let us say you open it with CAMS, all the insurances that you buy you will then park it in this e-insurance account you will not be

able to hold to, if you are unhappy you can shut this and go somewhere else, so therefore the primary metric which will demand therefore has to be done at a e-insurance account level, the faster you open e-insurance accounts and the bigger your market share the more will be your policy market share and that perhaps gives you right to win. Is there any other right to win which means that do you have an exclusive contract with the manufacturer or with the seller like we said earlier very, very difficult for that to do and we do not expect the architecture of the industry will ever go that way because the choice is still if you try one of the websites and open an account while buying insurance you will see the choices left to the individual, so it is more individual mandated choice and when that choice has taken place normally everybody is offering all the four, so that is how it works. Tide model where manufacturer will just go with one guy with one e-insurance company, one rep and that will scale market share is an unlikely scenario to emerge.

Sahej Mittal: Right, this would be happening when someone buying an online policy right, when an agent is selling an offline policy, so what is the default insurance repository if the customer does not choose, is there any default repository which the agent chooses or how is it and is there option wherein from manufacturer is only working with may be two repositories and not all the four?

Anuj Kumar: That was entirely possible, that is possible that manufacturer may be working with only two and not the four, like we said in the industry when you look at shares you will find that two of the players including us have been hyperactive, one of course has been very quiet and the other is less active, so it is possible there are examples of manufacturers working only with two EI accounts, there is two repositories. There is no default repository, it is not that if the consumer does not make a choice, so the consumer says put me where you want unlikely to happen, there is no single repository which has kind of defaulted as a choice, so think of it is the competitive industry and if you try to imagine how this industry will emerge, think of it has less of a land grab industry, we are not expecting it will grow into that pattern where large manufacturers align to a single rep and then they push all the consumers there and that gives price to share can happen, but unlikely to happen, it will remain more democratic, the consumer will make a choice, he will hold one insurance account and then he will drag his policy into that account that is the architecture which will emerge.

Sahej Mittal: Right and may be one followup, so given that there are talks that the LIC would be opening their own repository, so what is the conflict of interest if they start to manage may be some other insurance companies policies as well in the repository, would there be conflict of interest and will be allowed only to manage their own insurance policy, how should we look at it?



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Anuj Kumar: I would not make a comment on what will happen, we will see what happens, but think of it yourself, just layout the principles. I as a consumer may be consuming insurance policies of four different companies and if one of them starts a repository in your case you are illustrating LIC think of my insurance account existing there, all the competitive data, all the purchase trends, whether I am paying my premium, nominees, everything will be visible to one guy and that obviously creates what you just said it will create a potential conflict and it will create an uneven playing field, so I will not comment on whether this is going to happen or not going to happen, but your question is right, it will not create a level field to play.

Sahej Mittal: Got it. Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Ram Charan, Chief Financial Officer for closing comments. Over to you Sir!

Ram C Sesharaman: Thank you. I thank all the participants for their continued interest in the company and please feel free to reach out to Anish Sawlani or Orient Capital in case you have any questions or follow-ons and thanks once again for your participation and look forward to speaking to you soon.

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