Computer Age Mgmnt.

Operator: Ladies and gentlemen, good day and welcome to Computer Age Management Services Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikunj Seth from {? Orient Capital ?}. Thank you, and over to you, sir.

Nikunj Seth: Thank you, {? Huda ?}. Good morning, everyone. Welcome to the Q2 and H1 FY27 earnings conference call of Computer Age Management Services Ltd. Today, we have on the call Mr. Anuj Kumar, MD and CEO, Mr. Ramcharan, CFO, and Mr. {? ... ?}, Head of Investor Relations. Before we proceed to the opening remarks, I would like to give a small disclaimer that this conference may contain certain forward-looking statements about the company, which are based on the company's beliefs, opinions, and expectations as of date. These statements are not guarantees of future performance and involve risks and uncertainties. A detailed disclaimer has been published in the investor presentation. Now I would like to hand over the conference to Mr. Anuj Kumar for his opening remarks. Thank you, and over to you, sir.

Anuj Kumar – MD & CEO: Good morning, everyone, and thanks, Nikunj. Thanks, everyone, for joining this Q2 FY27 earnings call of CAMS. The presentation should be with you now. I will take you through the initial highlights of the quarter and how the business transpired.

Broadly, operating revenue at the enterprise level grew 10% year-on-year to become 415 crores. This is the first time we have crossed the 400 crore mark. In a quarter which was not very easy, because you have seen the markets and you have seen the trends in AUM, I think this is fairly creditable. I will get to the various components as I progress.

On this 10% year-on-year revenue growth, EBITDA increased by 13.5% to almost 191 crores. Do keep in mind that this 191 crores is after absorbing a large-scale employee increment, which we deferred from the first quarter to the second quarter. That cost was incurred in the second quarter. Also, the fact [cut off]

Anuj Kumar – MD & CEO: Great. Sorry about this disruption. I think there was a blip on the line. I was speaking about margins. EBITDA increased 13.5% on this 10% year-on-year revenue increase. This was after taking the cost of employee increments that occurred in the second quarter. There is also a component of about 4 crores, which is cost incurred on the new platform and which is now slowly coming into the P&L. We will speak about that in detail, so this 191 crores has to be read in that backdrop.

EBITDA margin expanded 140 basis points to 46%. How I would characterize this entire thing is that, typically, in good quarters, we have had asset increases of 18%, 19%, 20%, and even higher than that. Therefore, you expect baseline results to align with that kind of asset growth and that kind of revenue growth. This time, asset growth was just north of 12%, significantly lower than that and in line with the industry.

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However, producing this quality of results on both the revenue and EBITDA sides is fairly creditable. Many of you continued to ask us questions about what would happen if it was not such a strong quarter. I think this is a great example of a quarter which did not see significant AUM growth in line with the past. However, the financial results have vindicated how solid the model is.

PAT, on the back of this 140-basis-point expansion in EBITDA, grew 14.5% year-on-year. So, 10% revenue growth, 13.5% EBITDA growth, and 14.5% PAT growth—that is really the summary of the quarter.

I would also say that 3 or 4 years ago, when our revenue diversification outside mutual funds was not as significant as it is today, a lot of this financial growth contribution was driven by what happened in the non-MF business. In the past 12 quarters, in most of the quarters, we have reported more than 20% annual growth in the non-MF business, and we are confident this will continue to happen. The good news is that this is not a cash-guzzling business, and the margins continue to improve. Overall, the non-MF business grew almost 22%. CAMSPay, the payment services business, crossed 6% revenue contribution. This used to be about 3% or 2%-2.5% 2.5 years ago, so there has been a fairly significant build-out there.

Moving to the next chart on the MF and non-MF sides, CAMS MF AUM, as I said, grew about 12.5% to approximately 58.5 lakh crore, with a 67% market share. What is significant here is that equity AUM grew 15.5%, ahead of the industry, which was at 15.2%. Why did this happen? If you reflect on equity net sales for the last 1 year, or even longer, but I would say just look at it over the last 1 year, our share in equity net sales is upwards of 70%. That has driven the growth in equity MF AUM above [trails off]

Anuj: The net sales number, representing 70% of industry net sales, was driven to an extent by SIP collections. I am referring to the gross number, not the net numbers. In the quarter, SIP collections grew 16.5% year-on-year. This compares with the industry figure of 12.4%. So, again, you can look at it on a gross basis: overall assets grew 12.1%, equity AUM grew 15.5%, ahead of the industry, and gross SIP collections grew 16.5%, compared with 12.4% for the industry. That is a significant lift over the industry. The net sales number was 70% of the industry in the last 1 year. All of this contributed to equity MF AUM increasing ahead of the industry. Live SIPs and the investor base both grew in share and grew ahead of the industry. So, again, from a foundational metrics perspective, everything was solid and positive. Against a baseline of high-teens growth, this was not even a teen MF AUM growth at 12%, but we managed to grow every metric significantly, including PAT at 14.5%.

Some of the other trends that became visible include the SIF new product class. Almost 12 of our AMCs have now launched SIFs, with overall AUM of 20,000 crores. It is still early days; we have reached approximately 1 lakh investors, but we believe that, from a portfolio diversification perspective, this will become a hugely popular product.

GIFT City retail funds continue to scale. Five launches have happened, and another 2 or 3 will happen in the current quarter. AUM crossed 1,500 crores. I would again say that it is early days, but this is a promising product. A lot of this is outbound: domestic investors investing in FOFs or ETFs overseas through the GIFT City architecture.

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That has done well. InCred AMC appointed CAMS as its MF RTA, which is a fairly significant win for us. With this, from a client-count perspective, we reach 32 out of 64 licensed AMCs. At one time, while our market share was in the high 60s and early 70s, the count of AMCs was smaller. I think in the last 2-2.5 years, we have completely flattened that gap. We now have 32 out of 64 licensed AMCs. If you reflect on the logos we have added in the last 3 to 4 years, we continue to believe that we won everything that we wanted to.

ASK Investments and Carnelian went live with mutual funds during the quarter. Angel and Neo are expected to go live in the coming quarter, which is Q3. That will continue to support us from a new AMC and new AMC MF AUM build-out perspective, as much as we need from a new-logo perspective.

Moving beyond mutual funds, non-MF revenue contribution grew to just short of 16%, up 150 basis points. However, underneath the surface, there are some very strong trends. CAMSPay grew in excess of 50% year-on-year and 13% quarter-on-quarter. Both the base business—recurring payments through NACH, eNACH, and UPI AutoPay—and the newly developed and growing cards business have performed very well. There have been significant client additions, so we do not believe that any of this is either one-time or will remain at this level. It will continue to scale.

Alternatives is another great story. I have been telling you that, despite the significant depth of what competitors are doing, we delivered 22% year-on-year revenue growth. AUM just crossed 3.3 lakh crore, with more than 50 new mandates and 15 new marquee relationships. You will see that a lot of these businesses, especially Pay, do not have much to do now with the capital markets. A lot of it is diversified as non-capital-market revenue. Alternatives is related to the capital markets, but a lot of it is derived from non-MF AMCs, which are not the AMCs with whom we do MF work.

When you look at KRA, 3 years ago we had almost 100% of the revenue derived from mutual funds. Today, 5 of the top 10 broking houses in India are actively doing business with us. We may not have a 50% or 60% market share with them; we may have 10%-25%, but it is a very good entry point. The reason we have shown quarter-on-quarter revenue growth is that, in the year-on-year number, there was a large fee remission of more than 20% that we took in the first quarter. Therefore, we believe the quarter-on-quarter number is relevant. Again, nothing is one-off or one-time; this is just organic growth. Given that the capital markets have faced their share of headwinds, I think all of this is fairly creditable.

I will get to the repository. We crossed 15 million, or 1.5 crore, demat policies. The important thing is that Bima Central now has a module for brokers. You can access the CAMS app, the CAMS website, or the CAMSRep website and do your work. You could also access these brokers, who are active sellers of insurance, and they are now driving two things: they are driving policies in demat, and they are driving their consumers to start doing transactions on Bima Central. Of course, it is a white-labeled solution on their apps and websites.

That is positive, and we expect this trend to continue deepening. Although it is still early days, I do not want to start calling out the impact of new potential regulation, but you are aware that, directionally, there is a possibility that this industry may move heavily into a digital format. It will continue to remain a sold product—a significantly sold product—not a sought product. However, digital interventions and do-it-yourself offerings are likely to become much deeper and more

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enduring. We believe we are in the best position to take this journey forward for the industry, as the single player with this significant servicing layer on top. As I said, it is early days. This entire story should likely unfold over the next 2 or 3 quarters, and we will keep you posted.

Account Aggregator grew 19%, again on a small base. In the analytics use cases, you know that for one of the largest banks in India, we have deployed the PFM module for its banking app. They are now showing financial wellness and financial scores. This will be adopted by many other players over time. Also, in the Account Aggregator market, although it remains a small business, a new pricing model remunerating FIPs and others is about to come in. You may have read something about it. We will talk about this in more detail, perhaps in the ensuing months, when something concrete has happened. However, I think both in AA and in CAM, and in insurance, there are possibilities that some of these regulatory wins may shape a more meaningful future, but we will keep you posted on how that works.

Regarding ConsenTPlus, we have been talking about this product, and you may have seen some of our public relations material. It is a pioneering DPDP implementation. We are focusing on the BFSI segment, and it is under implementation with 20 clients. We believe this has to scale significantly, perhaps 10 to 20 times from these 20 clients, to become meaningful in our product and business portfolio. However, it is a very good start. A lot of mutual funds, broking houses, NBFCs, and similar entities have opted for it. Almost half of them are mutual funds, I would say, and the rest are other entities. It is a great start. We entered this market seriously around April or May. We are building it out, and it is a great capability to have on our side as we move forward.

On the technology side, I think some of the metrics are visible to you, but I will just say that the progress is very good and very strong. Some of this is not yet visible in the financial results. A part of it is, but in the next 3 to 4 quarters, starting from this quarter, you will see those things happen in every quarter. From a modernization and new-launch perspective, FundsNet is really the face of the RTA utility because this is how millions of transactions every day come in. This has now gone live. We are planning to sunset the legacy utility by March-April. This will generate significant productivity in the organization and, more importantly, significant productivity in the MF industry, where the time and effort taken by brokers, aggregators, platforms, AMCs, their branches, and their operations teams will reduce significantly. It is productivity-enhancing for the entire industry and, of course, for CAMS.

On form reading and data reading, I think the use cases are already deployed. We have spoken a little about it. You have seen some impact on our headcount. We have continued to grow while headcount has fallen this year after April. You will continue to see that trend as we progress. We are also seeing spillover benefits through lower complaints and so on. AI's ability to read written characters is very good. Of course, we have not taken out the maker yet; we have only taken out the checker in some cases. However, after 7 or 8 months of having this in production after March-April, we are very convinced that this is the way to go. We will continue deepening this.

You may have read about CAMSLens. Some of you have been in our closed user group with us, testing this out. NISM adopted this as the AI-powered training partner for compliance for itself and its students, so it becomes part of its pedagogy platform, which is good news for us.

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Again, from a data-reporting and new-platform perspective for GIFT City, GIFT City platforms are complex because of the way KYC is done, the way money is transferred, the involvement of foreign exchange, and the very different quality of APIs that need to be built. All of this is now being done through the new utility. We also built out KYC Hub. Some of you may have seen this in the GFF. It is our new eKYC platform, and it is finding a lot of adoption across the industry.

There has been very strong progress on the new-platform side. I think it is probably 30% complete, across all its forms. It is probably about 30% complete. However, the impact is already visible to us. I think the headcount impact is in the financials, and a lot of that will become stronger and stronger. From a performance, quality-of-integration, and quality-of-technology perspective in the market, the time taken to conclude anything, the time taken to build a new utility or a new app, the time to onboard customers, and the time to curate or correct faulty transactions—all of that is seeing a significant improvement.

I will pause here and hand over to Ramcharan to take you through the financials.

Ramcharan: Thanks, Anuj. Anuj has already gone through the financial highlights. I would just like to reiterate a few points, especially with regard to AUM growth and the question on yields.

I think it has been a reasonably stable quarter with regard to yields. We have always guided that in some quarters you will see a 3%-3.5% drop in yields, but quarter-on-quarter we have done much better. The drop in yields is less than 1%. Year-on-year, due to a combination of factors, one is obviously scale-based pricing, because assets have grown by almost 7 lakh crore on a year-on-year basis. The other factor is the mix, which is that there is less debt and more passives in this mix, although both are almost similar in terms of absolute AUM. Because of that, you will see—and it is well within the range that we have predicted—that yields drop around 3% year-on-year and less than 1% on a quarter-on-quarter basis. No major pricing corrections have happened. As we have said, some negotiations are happening, a couple have been closed, and a couple are in progress. There has been no major price correction, nor do we expect anything significant to happen in the next few quarters.

In terms of non-MF growth, as Anuj mentioned, it has been an excellent quarter, with 21% year-on-year growth and 11% quarter-on-quarter growth. CAMSPay has done very well, and KRA has bounced back in terms of its revenue growth. This is very beneficial from the overall non-mutual-fund profitability perspective. We had said that we would try to exit the year with close to 20% profitability. I am happy to say that even in the last quarter, given the mix of growth we have seen in the non-mutual-fund business, non-mutual-fund profitability was upwards of 18%. This is a very good development from a profitability perspective. We are not only scaling non-mutual-fund businesses, but we are also scaling them profitably.

From an expense-growth perspective, we had guided in the initial part of the year that we would try to keep it below 10%. I am happy to say again that expense growth on a year-on-year basis was a little more than 7%. As Anuj pointed out, this is the quarter in which we also gave the annual appraisal. That had an impact of 8.5 crores, which is almost a 2% impact. In spite of that, our expense growth even on a quarter-on-quarter basis was only 7%. We are well on track, aided by productivity improvements and some improvements arising from the deployment of our rearchitected platform and AI. As Anuj mentioned, this is going to be a sustained movement. It is

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not a one-off phenomenon. Expenses are well under control.

I think yields are broadly in line with what we had predicted. We see no major strain on yields going forward. Non-mutual-fund growth and diversification are well on track, with growth above 20%. We are at almost 16% non-mutual-fund proportion of sales, and our target is to reach 20% within the next couple of years.

From a cash-position perspective, we ended the quarter with a very comfortable cash position of 900 crores. This is after paying approximately 160 crores of dividend during the quarter for the earlier 2 quarters. We have also declared a dividend of 3.25 rupees as an interim dividend. Overall, I think there are very strong cost-

Management: Control measures. We have rationalized a lot of things, aided by technology and productivity. Non-mutual-fund growth is back on track in terms of KRA, payments are doing very well, and a few other businesses are stable. AIF is doing very well in terms of growth. We look forward to this growth in non-mutual-fund businesses being sustained. As Anuj said, none of it is one-time, nor do we expect any slowdown in growth in our major non-mutual-fund businesses. That is the summary of the financials, and I will leave it to the moderator to open the question-and-answer session.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Swarnabh Mukherjee from 360 ONE Capital. Please proceed.

Swarnabh Mukherjee - 360 ONE Capital: Hi, sir. Thank you for the opportunity, and congratulations on a good set of numbers. I have 2 primary questions, both on the non-MF part of the business.

First, I wanted to ask about CAMSPay. I think CAMSPay has delivered fairly strong growth for multiple quarters. As we move ahead into the second half of the year, the base is reasonably high in terms of growth. I wanted to understand what underlying trends you are seeing and whether you would expect a similar growth momentum to be maintained, or whether we would see some natural moderation in growth because we are sitting on a very high base. If the growth is likely to continue, could you highlight some of the drivers or the strategy that could play out? That is regarding Pay.

The second question is on KRA. In the last quarter's call, we discussed that you had some additional fetch-oriented revenue which had started to be priced. I wanted to understand how much of this bounce-back in CAMS KRA is attributable to the higher amount of activity in the market and how much is attributable to this additional pricing benefit that we are getting. How should we think about this number? Should we roughly think of this continuing at a level of 100 crores or more? These are my questions. Thank you.

Management {? Anuj ?}: On CAMSPay, I would say that you are right. In the last 3 years, you have seen us expand almost every quarter, and the growth has been very strong. It was a business where

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we only had a payment aggregator license. Now we also do cards, so it is a PA plus PG business. Some of the growth you are seeing is coming from the cards business from PG. We are still within financial services. We do not have any point-of-sale presence, and we do not do e-commerce or food delivery. We continue to remain focused.

Our broad estimate is that expecting 50% year-on-year growth on what is now almost a 100 crore-plus base is obviously not going to be easy. Our public statements have been that CAMSPay should grow at a fair rate of about 30% for the next 2 years. Broadly, I would say that 50% growth may last for another quarter or two. You should expect the payment business to grow at approximately 30% each year over the next 2 years. That is something we have a reasonable handle on without diluting profitability or any other metric. Think more in terms of 30% or the early 30s rather than 50%. That is one point.

On the KRA side, there has been a slow change in the portfolio, just as in payments. It is a change in the portfolio, and it is structural, involving both product and sales. In KRA, it is again led by both product and sales. We have continued to gain share. Wherever you look, we have continued to gain share. The big thing is that 3 years ago we were playing in, let us say, a 25%-30% segment of the market. That 30% segment consisted of originators whose mutual funds were the clients, while 70%-75% was demat and broking. Our share of demat and broking has continued to increase.

Despite the price drop in the first quarter beginning in April, you have seen significant quarter-on-quarter growth. I would say this is typically usage growth, both from the base because there has been some increased activity, and from new clients that have been onboarded. As I said, if you had a 70% share of the market segment in which I was not selling, I have now started selling into it, and that continues to increase every quarter. Five of the top 10 brokerages are now our clients. Of the 70% segment, they perhaps contribute 40 percentage points to the overall market. We are now playing in that segment. We are still not at optimum share; we would like to gain more share there, but whatever share we have is having an impact. I think that is how you should read the KRA business. Will this continue? For some time, yes. You should expect this growth to continue over a period of time.

Management: To answer the second part of your question regarding the Phase 1 hits, yes, the revenue for the current quarter, as we said last quarter, does include these Phase 1 enquiry-status-enquiry APIs, but not everything is attributable to that. The factors that Anuj mentioned contribute significantly to this entire increase. In terms of numbers, I think the incremental revenue because of this is hardly around 1.5 crores in the entire increase that you have seen. A lot of it is attributable only to the new customers we have onboarded and the increase in volume, and some of it is attributable to the Phase 1 hits that we have seen.

Swarnabh Mukherjee – 360 ONE Capital: Very clear, sir. Understood. Just one question: if I look at the consolidated level, I see some volatility in depreciation over the last 3 or 4 quarters. It moved from 25 crores in Q3 '26 to 28 crores in Q4, then came down to 25 crores, and now it is again 28 crores. How should I think about this number, and why is there this volatility?

Management: There are 2 aspects. Number one is the depreciation method that we follow. I think I mentioned this in the last or the earlier call. We use the written-down-value method. Therefore, you do have higher depreciation of 40% coming in year 1, given the depreciation method that we follow.

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In quarters where you have muted additions, you will see a drop in depreciation. In fact, last quarter, when we discussed depreciation, we also said that this was not going to be the trend going forward. I think you should take the current base.

We had a significant addition of storage and servers, and given the hardware prices, capitalization has increased this quarter, which has caused this depreciation. The second aspect is the rearchitecture. As Anuj mentioned, almost 30% of the work is done. That means a lot of these modules have gone live, and once they go live, we start amortizing them. Of the 3.5 crores increase in depreciation this quarter, more than 1.5 crores is actually attributable to the new modules that have gone live in the rearchitecture project. Therefore, I would urge you to keep this as the base rather than any of the earlier quarters.

Swarnabh Mukherjee – 360 ONE Capital: Understood, sir. Very clear. Thank you, and all the best, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Supratim Datta from Jefferies. Please proceed.

Supratim Datta – Jefferies: Hi. Thanks a lot for the opportunity. My first question is on yields. I understand that you said the quarter-on-quarter yield contraction has been less than 1%. However, some of your larger customers have shown a quarter-on-quarter increase in their yields. Also, what we have seen this quarter is that some of the smaller AMCs have been growing faster. I wanted to understand whether, despite this, it is only related to telescopic pricing, or whether there is something else affecting yields. Some more detail on that would be helpful.

Secondly, regarding SIF, which has been a growing segment, are the yields similar to what you earn on the equity side? If you could clarify that.

Moving to the non-MF business, could you give us some understanding of how margins are now tracking in that business? You did suggest a 15% increase, but I wanted to understand how margins are tracking there.

Finally, on the overall cost structure, you have been managing costs very well. However, if I look at it from a 3-year perspective and asset growth remains weak, would you be able to manage cost growth at around the 10% level? What would allow you to do that? Those were my 3 questions. Thank you.

Management: The question on yield is a great question, and I am sure many of your colleagues have the same question. I will recap the basics of what influences yield. You rightly mentioned a few of them. From an overall perspective, customer mix plays a part, asset mix plays a part, and discounts play a part.

In this quarter, from an asset-mix perspective, while it is true that equity has grown somewhat more than overall asset growth, the remaining asset classes have seen debt fall by a certain percentage and passives increase by the same percentage. In our asset mix, whatever yield was contributed by debt, which is a little more than 2-2.25 bps, has been replaced by passives, which is probably 0.5 bps, given the same absolute number. That mix is having an impact on the overall yield that you are

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seeing.

A lot of it is telescopic pricing. In a normal year, even if all assets grow at the same rate, you will get an approximately 2% telescopic-pricing impact. The rest will be because of the customer mix. Some of the larger customers have also grown. At least 3 of our top 6 customers have grown in line with or greater than the average asset growth, which means that the overall customer mix is also not favorable from a yield perspective. All these factors have contributed.

The only thing I would reiterate is that you should not use this as a proxy for any discount that we have given. We reiterate the stance we gave last time: there are no large customer discounts or renewal discounts in the numbers you are seeing. It is entirely attributable either to customer mix—in this case, it is more an asset mix—or to telescopic pricing.

Regarding SIF, yes, the pricing of SIF broadly mirrors what we do for the usual funds. If it is an equity-type fund, you will see the same rates that we effectively charge for equity in regular schemes being charged for SIF. Therefore, you will not see a higher or lower yield because of SIF. It will be broadly the same. From a billing perspective, you should consider it another scheme of the same mutual fund. There is no major difference between the two.

Regarding margins in the non-mutual-fund business, as I mentioned, we have not only grown non-mutual-fund revenue by more than 20%, but we have also grown it profitably. Our margins in the last quarter were much lower than 15%, but given that payments continues to operate at reasonably good margins of 20% and KRA has increased in the mix, KRA is a very profitable business and has delivered growth profitably. The overall margin for non-mutual-fund business is much ahead of what we had projected. It is more than 18%; in fact, it is close to 19%. That is the non-mutual-fund margin bucket.

This is favorable from the overall margin profile as well. A 16% share of the business contributing 19%, compared with 15% contributing 12% last time, has been a positive from the overall margin perspective.

Regarding the cost structure, [off-mic discussion] sustainability of cost?

Management {? Anuj ?}: From a cost-structure perspective, I think your point was what happens if we see weaker or more moderate AUM growth. In the last 2 years, we have seen quite a bit. Last year, AUM growth was 17% against a benchmark of 19%-20%. This quarter, we have seen 12% AUM growth, and therefore MF revenues grew 10%.

Our ability to manage costs in the next 3 or 4 years will be predicated to a large extent on how we infuse productivity and manage the new platform. I would say that is contributor number one. There are many other contributors, but that is perhaps more than 50% of the contribution.

For the last many years, we have not expanded headcount at the company level. Over the last 12 months, we have been reducing headcount by not backfilling positions. We believe this has happened after 30%, or approximately 30%, of the work on the new platform was completed. That is perhaps a trend which will last for at least the next 3 more years. We will continue to take modules live and will be able to infuse significant productivity into the system. We will also be able to infuse

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significant productivity into the industry, but that is a different story because we will not get paid for it. What is internal is internal. Employee productivity is increasing and will increase significantly.

Therefore, I would condense the argument by saying that we delivered 12% growth in MF AUM and showed you 14.5% or 15% PAT growth. Is that demonstrable? We have demonstrated it. What if this happens for the next 2 years? Can we demonstrate it? I would say broadly yes. I would say broadly yes: we are mentally prepared that if something like that were to happen, we know how to deal with it.

Your next question could be what happens if MF AUM grows only 7% or 8%. I can give you a hypothetical answer, but we will answer it once we have seen a quarter like that. At a significantly more moderate level of AUM growth, we would deal with it by growing the other parts of the franchise, growing other parts profitably, holding margins at the enterprise level, and managing the cost line in real terms. Nothing is one-off. There is no one-time billing, no one-time recognition, and no past-period item that we brought forward. None of that has happened. It is as straightforward as that. That is how I would answer your question.

Supratim Datta – Jefferies: Thanks a lot for that answer, Anuj. Just one follow-up. Should we take the employee cost incurred in Q2 as largely the run rate for the remaining quarters? Would that be a fair assumption, given that there is no one-off?

Anuj: Yes, you can take it.

Supratim Datta – Jefferies: Got it. Sorry, just one last question, and this is more fundamental. There is a lot of discussion around headless architectures on the software side. Given that you also provide software and backend solutions to mutual funds, how much of a risk are these AI systems and headless architectures? It may not be a risk in 2 or 3 years, but if I look at it from a 5- or 10-year perspective, how much of a risk could this be to a segment like yours?

Anuj: Right now, our belief is that all of the AI is being deployed and used by us in various components of the software that we build and test. A lot of this build-out is still dependent upon an understanding of regulations, processes, and so on. Just taking a large LLM or building a more intelligent SLM on top of it, giving it some instructions, and getting the software built is still some distance away.

It is like asking whether you can build an entire airline booking and ticketing system and its linkages with the dozens of entities it deals with, or a core banking solution, just by deploying AI. Simple steps, individual steps, and individual modules are being attempted. When you try that on an LLM, you give up almost all your rights to the IP because you have fed it into the LLM, where it is available for the world to use, so you have to be discreet.

Therefore, we have deployed discretion. We do not believe that, if your question is whether somebody can come in, build on top of these utilities, and start giving commands such as, “Now go and build a transaction-origination system for mutual funds” or “Go and build a KYC-verification system for mutual funds,” all of that is still some distance away.

Supratim Datta – Jefferies: Got it. Understood. Extremely helpful. Thank you.

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Anuj: Thanks.

Operator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please proceed.

Prayesh Jain – Motilal Oswal: Hi, Anuj. This is an extension of the previous question. AMCs today, especially the large ones, are paying decent amounts to RTAs. At what size would it become possible for them to evaluate having it in-house and using AI tools? They already know how to do some part of KYC for their direct business, and you are probably helping them there. Do you think that, at some point or at a certain scale, they would start thinking about building it in-house and using AI tools that could bring down costs and shift the work in-house? I know it is a hypothetical question, but it is something that keeps running through my mind.

Anuj: Absolutely. As something becomes easier, does it become easy and cheap? If it becomes easy and cheap, do I insource? I think the examples, Prayesh, are clear when you look at global benchmarks. Go back and look at all the global banks and whether they have insourced a lot of activities. There may be some small instances, but 90%–95% of the outsourced industry has remained intact, whether you consider airlines, telecommunications companies, banks, insurance companies, or any of those industries.

Today, when you see how the Indian MF industry is architected, you can take a cohort such as domestic insurance. It is a useful cohort and belongs to the same people who set up the same AMCs. Look at the cost structures. There, you either build some of the software yourself, or you buy core policy administration and related software from someone. You set up your own service centers, and then you try to do everything yourself. This kind of mass-scale outsourcing is not possible.

Show me one example where anybody has been able to condense all their operating costs to 7, 6, 5, or 4 bps. There will be no one. There will absolutely be no one. The same logic will apply to the MF industry.

Today, this platform that you are seeing is deployed over an MF AUM base of 60 lakh crore. It is deployed over approximately 6 crore or 5.5–6 crore investors and about 8 crore SIPs. The benefit of scale is spread everywhere. The argument has to be that the same benefits are available at, say, 10 lakh crore, 11 lakh crore, 15 lakh crore, or 20 lakh crore, because progressively you are seeing that the incidence of per-unit cost is declining.

The effort involved in recruiting and managing is also relevant. Today, just consider regulation. For example, we are required to have 4 data centers: 3 normal data centers and 1 air-gapped data center. Asset managers are not required to have as many data centers because they only have a copy of the data, a restricted copy of the data, whereas we have the full data. The amount of work that they would have to start doing would be significantly more than simply comparing the bill and seeing whether it can be done for the same amount. Doing it for the same amount is not going to be easy.

Just look at the world around you. Look at Indian banks, foreign banks, airlines, and telecommunications companies, and consider how many times this has happened. The reason is

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the same. It is getting easier and cheaper. The party line is the same. It is no different for the Indian MF industry. I think this would require a very large global trend to emerge for something like this to happen. I do not think the world is ready for that yet.

Prayesh Jain – Motilal Oswal: Got it. Extending that point further, when you come to the negotiation table with the AMCs, what points do they raise apart from the AUM growth they have given to CAMS? What other points do they bring to the table to cut yields? Do they refer to AI and the costs that AI can bring down, or what other elements are they pushing to bring down the yields being charged?

Anuj: If they want to raise the AI question, we should actually increase prices, [laughs] because, as I said, apart from the base cost, I incurred 4 crores in one quarter. I incurred that much cost, could not capitalize it, and therefore had to take it to the P&L. We are actually incurring a little more cost.

That is true of the world, Prayesh. Whoever is telling you that they have reduced costs has not really sunset the old system, built a new system or parts of a new system, and is now paying for both the new and old systems while still trying to figure out how to get rid of some of the people they do not need. We have probably got rid of, or not backfilled, 250 or 300 positions, but that is not a very large number.

Today, AI has not reduced unit costs, and I do not see unit costs going down in the next 12 months either, because two instances of many things will exist. We will sunset some of them, and we have begun sunsetting. Sunsetting itself is a process.

AI and our costs have never been an element for them because this is not cost-plus pricing. A lot of outsourcing, including IT services and BPO, works on cost-plus pricing. This is eating-off-the-same-plate pricing, which means they get bps, we get bps, the distributor gets bps, and the fund accountant and custodian get bps. Everybody gets some bps.

Typically, I think the pricing question has always been driven by 2 factors. The first has been: the market has grown 19%, we have grown 23%, and we should get something extra. The second has been: net sales have been small, or gross sales have been small, while mark-to-market has been very large, and we should get something extra. Those are typically the first and second factors.

I do not think cost has so far been exposed to them to such an extent, or headcount has been exposed to them to such an extent. It is a very “outcoming” kind of industry, not an outsourcing industry. I would still say the arguments have not changed. They are still the top 2 arguments.

Prayesh Jain – Motilal Oswal: Got it. Last question, again a more strategic question than one based on the quarter: how do you think you can diversify your revenues further? Today, obviously, we are scaling up the non-MF businesses, which have reached more than 15%, and you have a target of crossing the 20% threshold in due course. Are there any other new business avenues that excite you and that you would like to enter?

Anuj: The honest answer is that, for a company of our size, running more businesses would not make much sense. The core MF franchise continues to scale. In the non-MF business, 3 businesses have passed the demonstration stage: Payments, KRA, and Alternatives. They have all passed the

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demonstration stage. They are all 12 or 15 years old, and they are all of a critical size. Two of them are immensely profitable. AIF is not that profitable; it is still a services business. The other two are pure platforms.

I think it would be good if we continued scaling non-MF contribution by approximately 2% a year. This is slightly lower than what we would have thought. I would like it to grow a little faster, but we will continue with 2% displacement. This 84% will become 82%, then 80%, and probably go down to 78% or 76%. Maybe in 5 years we could be in the early 70s on the MF side.

Then there is a limit to how much you want to contract your most profitable franchise. You do not need diversification for the sake of diversification. I would be very happy if some of the developments being discussed in insurance turn into a directional 10-year trend line, just as equity broking reached that trend line in 2010 and mutual funds reached it in 2014-15 when the SIP and digitization culture came in. I would hope that we find one market like that. Insurance has a 50% chance of becoming that market, given what has happened in the last 2 or 3 months, but it is still very early for me to predict.

Cons ent Flow is a good product to have. We do not expect it to become a 100 crore franchise. It could be a 20-30 crore franchise 2 or 3 years from now. We will stay with the products we have right now, Prayesh. We do not want to start pursuing everything and then find that we can do nothing. We will be very focused and stay with the franchise that we have today.

Prayesh Jain – Motilal Oswal: Got it. Thank you, and all the best.

Anuj: Thank you.

Operator: Thank you. The next question is from the line of Devesh Agarwal from IIFL Capital. Please proceed.

Devesh Agarwal – IIFL Capital: Thank you for the opportunity, sir. My first question is on yield. I wanted to understand one more aspect. Incrementally, we are seeing that the smaller and younger AMCs, which started operations in the last 2 or 3 years, have started to ramp up. Can that also have an impact on the overall yield, where AUM growth is coming from these newer AMCs but revenue may come with a lag?

Management: Devesh, when you say small AMCs, I assume that you mean those that were launched at least more than 5 years ago, because the revenue contribution from the others would be very minimal. From a customer-mix perspective, we have seen a fair share of mid-sized AMCs growing. We do not take specific names, but at least 3 or 4 of them have outgrown the market. In the normal course, this should have a positive influence on yields.

The very small AMCs do not contribute significant revenue, so they do not make a difference to the yield. The mid-sized AMCs growing is a good thing for us. Everybody growing is a good thing for us, please do not misunderstand me. However, growth among the mid-sized AMCs has a positive impact on yields, whereas the smaller AMCs do not have much impact because the magnitude of their revenue is not very high.

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Devesh Agarwal – IIFL Capital: As these newer AMCs, which probably came in over the last 3 or 4 years, gain size, could they drag down your blended yield, or is that again unlikely?

Anuj: No, Devesh, that is quite unlikely. While I do not have a number in front of me, I will tell you that, of this 58–59 lakh crore, if I took the total of all the new AMCs that came in over the last 5 years, I would struggle to reach 3 lakh crore. I may reach 2 lakh crore, but even that is doubtful.

Think of 2 lakh crore on a 60 lakh crore base, and consider how much dispersion from the mean you will get there. That dispersion from the mean is not going to be very different a quarter from now or a year from now.

However, as Ram said, in each of those cases, absolute revenue for the same AUM will be better because the larger AMCs may be at lower yields given their scale. The younger AMCs will be at much better and much higher prices because they are only at 10,000, 15,000, or 20,000 crores, rather than 2 lakh, 3 lakh, or 5 lakh crore. To that extent, pricing will be better.

All I am saying is that, at a portfolio level, the contribution of AMCs launched in the last 5 years will not be 20% of the AUM book or 20% of the revenue book. It will probably be 5%–7% of the AUM and revenue books. To that extent, whatever impact better pricing in 5%–7% of your revenue book can have, it will have that same impact.

Devesh Agarwal – IIFL Capital: Sure, sir. Secondly, on the margin side, you mentioned the 4 crore expense incurred toward the new platform. Could you give more details on the trajectory going forward and the potential drag from this new platform?

Management: This is a continuous process. As and when the modules go live, we will incur the corresponding cost to make enhancements, make small enhancements to the module, keep the modules live, and continue going to... This is the standard accounting treatment that we use [cut off]

Ramcharan: Just to give you some perspective, this is not something that started now. In the overall project so far, we have actually taken approximately 27 crores to operating expenses cumulatively over the period of time.

What is going to happen is that this will accelerate. It will accelerate as more modules go live. To give you some perspective, in Q2 we had around 5 crores of cost, which included approximately 2.5 crores of incremental costs coming into the P&L, and there was another 1.5 crores of depreciation.

Going forward, this 5 crores will become probably 8 crores and then 10 crores as we move through Q3 and Q4. This is just one part of the equation. The second part is whether there will be a corresponding decrease in cost because this will obviously replace some of the work we are doing. It will not replace all of the work, but it will replace some of it.

What we are saying is that the increase in the steady-state cost of the rearchitecture that goes to the P&L will be broadly offset by the savings we obtain from productivity increases and other savings arising from the new platform. Therefore, we do not expect the incremental cost per quarter from an Opex perspective to be more than a couple of crores. This is something we can

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obviously offset through other productivity improvements, operating leverage, and so on.

You will see this 5 crores per quarter go to 8 crores and then to 9.5 crores over the next 2 quarters, but the net impact will be much lower. It will probably be an incremental 1–1.5 crores, or a maximum of 2 crores, per quarter. This will be more than offset by the other operating efficiencies that we have. That is how we look at this.

Devesh Agarwal – IIFL Capital: Understood, sir. Lastly, you mentioned that there has been some reduction in headcount over the last 12 months. Could you tell us what the reduction has been and what the latest headcount is?

Ramcharan: When we started the year, our headcount was around 8,450. I think we are ending the quarter at around 8,200. There has been a reduction of 250 in headcount, along with some reduction in outsourced headcount. Therefore, I think the total reduction in headcount will be between 250 and 300. The current headcount is around 8,200.

Devesh Agarwal – IIFL Capital: Perfect, sir. Thank you, and all the best.

Ramcharan: Thanks.

Operator: Thank you. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb – ICICI Securities: Thank you for the opportunity. Could you tell us whether CAMSPay can get any benefit from MDR on UPI? Do you have any idea about that? That is the only question. Thank you.

Management: In your model, you should assume that there will be very little impact from MDR. While MDR on UPI will be of the order of, let us say, 40 bps, on financial transactions in mutual funds it will be of the order of, let us say, 2 bps. Therefore, although it is an expanding segment, its ability to drive revenue upside for CAMSPay will be very small.

In a 100 crore book, once it is implemented, you will certainly see an increase of 1 or 2 crores. That benefit will certainly come through. However, unlike many of the other companies in retail UPI, where you have seen statements that they may gain tens or hundreds of crores, CAMSPay will not get that scale of benefit. It will get a couple of crores a year whenever this is implemented, but not very large numbers. It will not be a very large percentage of revenue.

Ansuman Deb – ICICI Securities: Thanks, Anuj. Got it.

Operator: Thank you. The next question is from the line of Aditya Chheda from InCred Asset Management. Please proceed.

Aditya Chheda – InCred Asset Management: Following what has been delivered in H1 versus our earlier expectation of a 2.5%–3% decline in yields, would you want to revise the outlook for asset-based yields based on what has transpired so far for FY25?

Ramcharan: Do you mean revise it upwards or downwards?

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Aditya Chheda – InCred Asset Management: Upwards—the decline.

Ramcharan: No, I do not think anything has happened that is causing us concern. Nothing has been surprising in this quarter, to be very clear. On a quarter-on-quarter basis, we have seen the decline at less than 1%. Year-on-year, for the reasons I mentioned, it is a little more than 3%.

We have always said that approximately 3% is what you would expect. In a good quarter, it will be less than 2.5%. In a reasonable quarter, it will be around 3%. We continue to hold that view, and I do not think any revision is needed in the yield projection.

The key takeaway is that there has been no incremental discount given to customers that is causing this. It is more a mix issue—either customer mix or asset mix—and scale-based pricing is playing out. We do not see any reason to change the guidance we have given.

Aditya Chheda – InCred Asset Management: Noted. Thanks.

Operator: Thank you. The next question is from the line of {? Divesh Punjabi ?} from Banyan Tree Advisors. Please proceed.

{? Divesh Punjabi ?} – Banyan Tree Advisors: Thank you for the opportunity. I had 2 questions. One was on the non-asset-based MF revenue. If you look at the last couple of years, its revenue mix has come down from approximately 14% to around 11% now. With the new platform coming through, can you help us understand what this segment would look like over the next 3 to 5 years?

The other question is whether the increasing mix of direct MF has any impact on the asset-based business in terms of yields.

Ramcharan: I will answer the first question, which is about non-asset-based revenue in mutual funds. Let me recap what it contains: transaction revenue, some application revenue, call-center revenue, NFO revenue, and reimbursement expenses. These are not driven by the asset base.

We generally advise you not to build this based on asset increases, but rather on a year-on-year percentage increase, because it is driven more by physical transaction growth, some MF Central transactions, call-center revenue, and OPE revenue.

Overall, as assets grow, the percentage contribution of this revenue will continue to decline. Although the growth in non-asset-based revenue was on par with asset-based revenue this quarter, generally you will see it lag asset-based revenue. Therefore, its share will keep coming down.

A better way to look at it is to apply a year-on-year percentage increase rather than link it to assets. That is why we segment the two and provide them separately.

In this particular quarter, for example, we had a good uptick in transactions from the MF Central perspective and some increase in miscellaneous revenue, which includes application fees and so on. However, on a year-on-year basis, NFOs declined drastically, so you would have seen a drop. It is not something that you can model specifically based on asset growth.

Regarding the second question, could you repeat it?

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Management: Direct plans.

{? Divesh Punjabi ?} – Banyan Tree Advisors: Regarding the increasing mix of direct mutual funds, does that have an impact on our yields?

Management: As far as our pricing is concerned, it is constant. It does not matter where the transaction came from, what the plan was, or how the units were held. The pricing remains constant.

Direct plans did not exist at one time and then grew significantly over a period of time. However, for a large segment of the market, these are do-it-yourself consumers. There are many consumers who are not do-it-yourself consumers, for whom regular plans will continue to scale. It does not have any impact on our pricing.

{? Divesh Punjabi ?} – Banyan Tree Advisors: Sure, got it. If I can ask one more question regarding the new platform, you mentioned that FINNET 2.0 was implemented and that more modules would be implemented over time. Our understanding is that this makes more of the cost base fixed in nature. From a longer-term point of view, can margins increase as operating leverage plays out?

Management: Whether it is the new platform or the old platform, it has been a largely fixed-cost model, which means that we do not flex costs too much. Our approach has been, and the reality of the business is, that the more revenue you put through any platform business, the more margin you can generate because a larger and larger part of that revenue will go to the top line.

That is true of all our businesses today except AIF, which still retains a services character. Everything else is becoming a platform business, whether it is repository, KRA, payments, or MFRT. At least these 4 are definitely, or largely, platform businesses.

So, yes, your point is correct: margins could expand. We have always said that, in normal years, we expect margins to expand by 100–200 basis points. That trajectory should continue.

{? Divesh Punjabi ?} – Banyan Tree Advisors: Sure. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Deepanjan Ghosh from Goldman Sachs. Please proceed.

Deepanjan Ghosh – Goldman Sachs: Good morning, everyone. I have a few questions. First, in your answer to one of the previous participants, you mentioned that yields have been stable and that you do not expect any substantial renegotiation or discounts over the next few quarters. I wanted to get some color on that statement.

Does this also include any large renegotiations with larger AMCs in FY26, or is it more of a second-half item? Some color on that would be helpful.

The second question is on non-MF margins, which are currently closer to 18%–19%. You have mentioned that you expect margins at the overall level to improve. If you take a 3- to 5-year view, where do you see non-MF margins settling? Within that, more specifically for the AIF, payments,

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and KRA businesses, which are relatively more margin-accretive, where do you see these 3 segments settling? Those were my 2 questions.

Ramcharan: Thanks, Deepanjan. From a yields perspective, definitely for H2, we have visibility into what will happen. Regarding the larger customers, next year there is obviously a renewal that will happen with a couple of these large customers. It would not be proper for me to comment now on what will happen then.

However, our stance has been very clear, and we have clarified it several times. There is no reason for us to offer a disproportionately higher discount or reduction in bps in any of these discussions. There are several factors, including the productivity increases we are bringing to the table, the efficiency we are delivering, the cost of hardware we are incurring, and the SEBI requirements in which we are investing several hundred crores.

Those matters will be discussed with the AMCs when they come up for renewal, but our stance regarding the discounts we are giving has been very clear. So, yes, definitely for H2. Regarding next year, we will see what happens, but we are very confident that our stance will prevail. I do not think you will see a similar event to what happened in the past occurring in the future. Whatever happens, we will update you at that point.

In terms of non-mutual-fund margins, payments has been growing at a profitability level that exceeded our expectations. Having a card-business mix and still continuing to have a margin of 20% is positive, and we do not see this as a one-off. We see it as sustainable. Three years from now, there is no reason why this margin cannot be 25%.

KRA is a very profitable franchise for us. AIF is very stable at a margin of approximately 20%. As Anuj mentioned, operating leverage is somewhat lower there given the service nature of at least part of the business.

If these 3 businesses grow in the same proportion as they are growing now, I think a steady-state margin of more than 25% is very much achievable over the 3-year period we are discussing. Our aim would be to bring it closer to 30%, but a 25% margin is very much achievable.

Deepanjan Ghosh – Goldman Sachs: Got it. Thank you, and all the best.

Ramcharan: Thanks.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to Mr. Ramcharan for closing comments. Over to you, sir.

Ramcharan: Thank you to all the participants for your interest in CAMS and for taking the time to be part of this call. As usual, please reach out to Anish or the Investor Relations team in case you have any queries or require further clarification. We will be happy to arrange a call. Thank you once again.

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

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