"Computer Age Management Services Limited

Q3 FY '26 Earnings Conference Call"

January 23, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to Computer Age Management Services Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikunj Seth. Thank you, and over to you, sir.

Nikunj Seth: Thank you, Reena. Good morning, everyone. Welcome to Q3 and 9 months FY '26 earnings conference call of Computer Age Management Services Limited. From the management today, we have with us Mr. Anuj Kumar, MD and CEO; Mr. Ram Charan, CFO; and Mr. Anish Sawlani, Head, 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 beliefs, opinions and expectations of the company as on date. These statements are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict. A detailed disclaimer has been published in the investor presentation.

Now I would hand over the conference to Mr. Anuj Kumar. Thank you, and over to you, sir.

Anuj Kumar: Good morning, everyone. Thank you, Nikunj. I welcome all the participants to this 3Q earnings call of CAMS. Sticking to our usual format, we will go through parts of the deck, and we'll do that in about 20 minutes to have enough time to take your questions.

As you would have seen yesterday when we published the results, it's been a very solid quarter for CAMS. And why do I say that? You know that exactly a year back in Jan of '25, we had spoken about the price reset. That price reset came in 4Q of last year and 1Q of this year. So the comparison, the year-on-year comparison is still with a large base. This is perhaps the last quarter in which we will have a comparison with a larger base, while the current year's revenue has taken the price adjustment. But in that context, this was a remarkable quarter.

Our enterprise revenue grew 5.5% year-on-year. And like I said, the year-on-year number for another quarter will not look like it's a double-digit number. It will continue looking single digit. But the Q-on-Q revenue growth was 3.6%, which was a very solid growth. Non-MF on a quarter-to-quarter basis over last year grew over 24%. You know that our stated endeavour has been to grow this over 20%. So this was a strong quarter.

Absolute EBITDA, rupee EBITDA climbed to the highest ever. You will recollect that the highest ever absolute EBITDA was in the range of INR173 crores in 3Q of last year. So exactly a year after that, we are at INR179 crores. Do keep in mind that this takes into account the labour code adjustment, largely gratuity related, some of the other notifications: a) will not be so impactful; and b) will be done when they're announced. But that cost of about INR2.5 crores to INR3 crores has been absorbed in the base. So the absolute rupee EBITDA is remarkable.

What is also remarkable is that percentage profit after the labour code adjustment, every other growth cost that we have incurred is now at 46%. You will remember that this was 43% and some change about 4 quarters -- 3 quarters back. So in these 3 quarters, 1Q of this year, 2Q of this year and 3Q, has climbed back from about 43.5% to 46%, which I think is a remarkable vindication of the overall productivity drive and efficiency that we've been able to build into the system.

Specifically on MF, our AUM crossed INR55 lakh crores. The market share number remains intact at 68%. The year-on-year growth was 18%. Now in most years, you know that AUM growth was about 20%, if you take the last 10-year CAGR and that 20% used to be composed of about 12% to 13% of mark-to-market gains, about 7% to 8% of net sales. This 18% number has happened despite the fact that mark-to-market gains are lower. So that just is a good indication of the resilience of the system and of the faith that the Indian common investor has in the delivery made by the mutual fund industry.

Within this, equity assets, a very, very handsome number crossed INR30 lakh crores for us. Market share, which about 5 years back, this number used to be about 60%. You've been watching this numbers for a while, is crept up to 66.4%. One, largely in response to the expansion of equity as an asset class within the overall MF assets, but you cannot deny the share gain part of it. The 60% to 66% is exactly a share gain. And like the chart says, 70 basis points up year-on-year.

Equity net sales at INR84,000 crores, although you know that in a great quarter, this number is almost like INR1.25 lakh to INR1.5 lakh crores to that extent, a slightly smaller number. But what I'm very happy about is a market share of 71%, which is almost 1% up compared year-on-year. This is the most intensely operative from an operations perspective and the most remunerative part of our entire AUM mix.

New SIP registrations, which have been in the range of INR1.2 crores to INR1.3 crores every quarter, stayed at INR1.6 crores, grew 18%, significantly ahead of industry growth. And I think just the fact that some of the new AMC launches as well as the CAMS base clientele has performed very well in this area.

SIP collections grew to almost INR18,000 crores, INR19,000 crores a month, so INR55,000 crores, INR56,000 crores in the quarter, again, a handsome number growing 20% year-on-year. And this again is a great vindication of the attitude of the Indian investor and its faith in the industry. Live SIPs as of count expanded 8% year-on-year to 65.2% market share.

Unique investors, you can see, grew ahead of industry. Carnelian Asset Management came in as a new AMC client. SIF is beginning to become a very popular. Well, it's too early for me to say very popular, but I would say an interesting product class where a lot of AMCs want to participate. As of today, we have SBI, Tata both launched in the past quarter, quarter gone by. And then in the month of January, we've had ICICI at Bandhan launch. But you will see a lot more launches.

And I think this is net accretive to the stack of the AMCs because this was supposed to bring in money from a little more risk-taking investor class, an investor class which was doing F&O and day trading kind of stuff for them to come into this asset class. It's a broader product offering. So it's great news for us. We're already INR2,400 crores and with 4 AMCs live.

GIFT City retail fund launches; Tata MF launched the first retail inbound fund. This was live. PPFAS and DSP had launched the outbound funds. This interest, we believe, will continue to grow over a period of time. Early days yet, but the interest of the domestic investor in participating in overseas offerings and the interest of the overseas investors to find a reasonable way to come in through GIFT City, I think they will be the 2 props on which this entire offering will be built.

So very happy that during the year, as we have said earlier, we took 6 AMCs live. We took a couple of SIFs live. We expanded the GIFT City offering. And we did many other things. I'll just come to that. But from an activity and milestone perspective, a fairly productive quarter and from a financial result perspective, a very solid quarter.

On the non-MF side, the revenue contribution has expanded to 14.5%. We had said almost about 9 months back that we were in the purpose of a business transfer of the KRA business of NSE into CAMS. This process got concluded. Now the business is with CAMS live with us, a great integration, adds more than 1 million fans to our overall kitty and uniquely positions us as the second largest KRA. The gap between the second and the third, therefore, has widened.

CAMS KRA, you know that the account opening momentum in capital markets has been slow. While in mutual funds, the full account expansion remains intact. But in the broader capital markets, the depository and broking account momentum has been slower. Despite that, CAMS KRA grew revenue both on a year-to-year basis for the quarter as well as in sequential quarters.

CAMSPay was a great performer. I think if you look at the base, just their base business grew 24% for the quarter over the past year. If you add to this, the PG business, which is just about a year in the making, that added the balance part of the growth. So it's good to see a new product gain acceptance faster than what you normally see. So that 59% is a sum of a and b, is the base business, which grew 24%. The balance is the PG business.

Alternatives grew 16% in revenue year-on-year. AUM now exceeds INR3 lakh crore, the 50% of the outsourced market, that milestone remains intact. I certainly want to call out that while WealthServ or the digital onboarding platform is not a large revenue accretive, revenue momentum business, but it's a very good client hook for us, 250 mandates, almost 200-plus live, and we will continue and that's our vision to scale up to 500 and even beyond and the market has the ability to absorb all of that.

CAMSRep grew revenue in the third quarter 15%, added -- you can see the numbers we crossed overall 1 crores eIAs, about 1.3 crores policies, market share at 40%. Again, I would say that the true momentum of this business, the true impact of what Bima Central can do, the true impact of demat and insurance, we are still scratching the surface. LIC, which had agreed to come in into dematting of new issuance of policies that was declared in March, April last year. They are near live. They've commenced, but I think the true momentum of that as the rest of the market expanding their acceptance is a slow process, but will happen. And I think we are very, very hopeful of continuing to scale these things.

Bima Central as a unique offering for managing your insurance portfolio has continued to get awarded, recognized in multiple forums. You've seen some of that in our website. You've seen some of that in the various press conferences, releases or LinkedIn post, etcetera. So very happy that from a product development culture that the moment that we started almost 5, 6 years back to deeply build a product and a tinkering culture inside the company to have multiple offerings. Obviously, we don't want a dozen because you can't focus on a dozen. But to have maybe 4 or 5 core offerings, which will drive growth, I think this is a nice point towards the future.

On the DPDP Act implementation, where there are various components of what a good offering should look like. But from a consenting perspective, Think360 has launched ConsentPro, you would have seen some PR on this, and we're expecting this to be a revenue business in the coming quarters.

So like I said, overall, coming out of whatever happened during the year, a slow year for capital markets, some backdrop of price readjustment, some backdrop of slowing down of capital market new account openings, etcetera. In the light of all that, I think both from a growth and efficiency, margin and revenue growth perspective, a very solid quarter.

I will pause here and hand over to Ram Charan, and then we will come back to the Q&A.

Ram Charan: Thank you, Anuj. I'll just summarize the numbers in a few minutes. As Anuj said, it was a very solid quarter. In terms of AUM, quarter-on-quarter, the AUM grew around 5.3%. And as we had kind of indicated and guided over the earlier quarters, the yield impact of the onetime reset, the tail impact was there in last quarter. And we said this quarter, we said that we'll be back to the original equation in terms of asset to asset fee growth.

Happy to say that the asset-based revenue has also grown around 3.8% quarter-on-quarter, which is kind of almost back to the same kind of equation that we are used to in the past. Yields also depletion was much better than what was guided. It was less than 1.5% quarter-on-quarter. So from that perspective, we are back to steady state from a yield perspective, which was the bigger concern over the last 9 months because of the yield reset.

So overall, the revenue grew around 3.6% quarter-on-quarter and 5.5% year-on-year. The MF revenue grew on the back of the asset growth as well as the stable yields to 3.3% quarter-on-quarter. And the non-mutual fund revenue, it was almost 5% quarter-on-quarter and 24-plus percent, almost 25% year-on-year.

As you recollect that we have generally have a target of growing more than 20% in the non-mutual fund revenue. So barring the first quarter where there was a little subdued, we have kind of reached this number and confident that going forward, this 20-plus percentage of non-mutual fund business will happen. This is all on the back of a great business growth in CAMSPay and their card offerings.

But across the board, there has been increase in the businesses. AIF has increased; Rep has increased and so has KRA even in a tough market. So the non-mutual fund back on track, mutual fund yields absolutely back on track. And from a profit perspective, we posted strong earnings. Our EBITDA, which was, as you may recollect, went up to 43% a few quarters back came to 44% now it is at 46%. And that is kind of almost 140 bps increase on a quarter-on-quarter basis.

So we are, again, firmly back on the track of what we have said in terms of margins, 45% plus. And we continue to have a good cost control backed by automation and productivity increases, which is keeping the cost line increase subdued. We had indicated at the beginning of the year that if we are increasing cost by less than 11%, I think that's the target, and we are well on target to have the cost increase to be 10% on a year-on-year basis.

So on the back of good cost control, stable yields, good growth in non-mutual fund businesses, we have posted strong earnings for the quarter at 46 percentage. This, again, as Anuj said, I'd like to reiterate that as required under our institute guidelines, we have taken a onetime charge of the labour code revamp, which is around INR3 crores -- INR2.8 crores as a part service cost in our P&L. So in spite of that, we are able to post very strong numbers on a quarterly basis.

The Board had declared -- has declared a dividend of INR3.5. And so we're keeping up with our dividend declaration policy of 65% of profits being distributed. And ROCE, our return on capital employed continues to be very impressive at close to 40 percentage.

There are some amount of -- there is some amount of decline in the non-asset-based revenue, you would have seen on a year-on-year basis. But as we continue to indicate, the non-asset-based revenue is not driven by any -- not majorly driven by transactions or an AUM growth. There are 4, 5 components to it. One of the major component of that is the out-of-pocket expenses and also there is a component of the new NFO fees.

This quarter, when compared to the last year, there was a decline in the NFO launches when compared to last quarter, and there was also a decline in the out-of-pocket expenses. The out-of-pocket expenses is a revenue line item and a cost line item. So it is not profit accretive. And hence, the decline in the non-asset-based revenue does not impact the profitability.

So this is a broad summary of what we've seen from a revenue and a cost perspective and EBITDA margins. I now hand it over to the moderator, and we can open it for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Supratim Datta from Jefferies.

Supratim Datta: I have here 3 sets of questions. Firstly, I wanted to understand how would the loss of 5 basis point exit load for mutual funds impact you? You have had one round of renegotiation of contracts last year, but would this result in another round of renegotiation of contracts? And what kind of impact could we expect from that and over what period? That would be the first one.

Secondly, I wanted to understand how is the margins in the non-MF business currently tracking? And what kind of operating leverage are we able to get there? Lastly, on the payment aggregator and the Payment Gateway business, there has been strong growth there. However, the base business has only grown by around 25%.

And when I look at the other businesses as well, the growth has been somewhere around 17%, 18% in most businesses. Given the smaller scale, just wanted to understand what would result in these businesses being able to grow faster as compared to the current run rate? Those are my 3 questions.

Anuj Kumar: Sure. Thanks, Supratim. I'll try to take this in order. On the AMCs and the TERs -- sorry, I'm just continuing to hear...

Ram Charan: Supratim, you may want to go on mute. There is a bit of background at your end.

Moderator: Yes. Supratim, maybe there is...

Supratim Datta: Yes, I'll mute my end.

Anuj Kumar: Okay. All right. Yes, this is a lot better. So on the overall TER adjustment, you, I'm sure, have been tracking this closely that the net dispensation being proposed is of marginal impact, not a humongous impact on the AMC. There are some benefits. There are many puts and takes, but I think there are some benefits on the GST side. And then there could be some dent in what they can charge because of the exit load going away.

When you take these together, we believe that most of our clientele will not be impacted from any negative impact perspective. Some of the large clients may be impacted. Like you know that for people who run P&Ls, total TER regimes of 140, 150 bps at the largest, coming to maybe 190, 200 bps for the smaller AMCs. This will be a small reset to make.

Now will they come to us for any conversation, etcetera? We don't have any indication right now that all of that will happen. We've always stated that the amount of value we sell for the price we charge: a, is very large; and secondly, it continues to scale every year. So we believe that we have full justification to retain the prices.

Right now, I think we should just wait for any conversation to happen. First of all, for this final regime to settle down, if it settles down in the first quarter of next year and then for any conversation to happen. Even if conversations happen, we do not believe that this will be of a very large impact to us. Like we have said in the past, the impact could be -- I mean the boundaries of the impact could be INR20 crores, INR25 crores overall for CAMS, but we will wait and see. I don't want to jump into conjecturing on numbers and making estimates until we have a very clear view of what the impact is and what they are planning to do with this. That's part one of your question.

On the non-MF business, the only way I would like to explain this to you, I'll split the answer in a few parts. One, businesses which are purely platform, so CAMS KRA and CAMSRep are 2 great examples of purely platform businesses. They have the ability to make EBITDA in the 30% to 40% range. CAMS KRA is already there, which means it makes an EBITDA in that range.

From there, the smallest ones are loss-making because it takes a revenue line of about anywhere between, let's say, INR12 crores to INR15 crores of revenue line for these businesses to absorb costs. They are -- they all have a component of fixed cost. So some of them are loss-making, which still are not at breakeven. Insurance is near breakeven, but not at breakeven. Pension is loss-making, account aggregator is loss-making.

So overall, it's our aspiration to move this entire portfolio of non-MF. It will not go to 40% to 50% EBITDA easily. That will come after maybe 5,6, 7 years. But in the next couple of years, it's our attempt to drive this to about 25% to 30% EBITDA. We believe that is possible. This business now has a base of about INR230 crores, INR240 crores. It's growing at the rate of about INR40 crores to INR50 crores a year.

And I think the objective for the management team is to move a large part of this incremental revenue into the bottom line. And because of the platform nature of most of these businesses, like I said, Rep and KRA are 2 great examples, Payment is also a very, very relevant example of a platform business. So we're very hopeful of driving -- that's our internal target to drive them to 25% to 30% EBITDA.

The third part of your question was that in CAMSPay, what's happening, what is the growth trajectory. As you know, that from a portfolio perspective, we've stated that non-MF should grow 20% plus. Within that, you will remember that we had 2 breakaway years when KRA grew very fast. They almost doubled themselves in 3 years.

There was a time when AIF grew very fast. And I think in the last 2 years, we've seen CAMSPay grow very fast, which means CAMSPay used to be under INR30 crores business 2 years back. They scale from INR30 crores to INR50 crores, INR50 crores to -- close to INR70 crores this year. We see them growing from INR70 crores to INR100 crores next year. Some of this is just the base consumers buying more, which is one way to grow.

And I think Payment Gateway was a new part of the offering. And when we grow, obviously, we'll have to keep doing all of these things. Just base clientele growing is very, very organic and is just dependent upon what the market buys. So we want to do both things. In the base, we want to grab share. In the new offering, we want to have those strategic offerings, which will lead to revenue growth. I think that team has been able to do both of these.

The interesting part is that in the next 4 to 5 years, we are sure the way things are going, that this non-MF will be at least INR500 crores book for us in about 5 years. It continues to grow INR40 crores to INR50 crores a year. And at that level, at about a 30% EBITDA, it should be, let's say, INR125 crores to INR150 crores EBITDA range business. It's heading that way. It's heading that way. And therefore, we are very, very hopeful that we'll be able to deliver all of this. Those are broadly my answers to your questions. If there's any follow-on, you can let us know.

Supratim Datta: Yes. Just one thing on the non-MF business, what is the current margin run rate? And on the CAMSPay side, I just wanted to understand what is the mix of non-MF clients and MF clients?

Ram Charan: The current margins, we've seen some improvements happening over the quarters. A few years back, we were sub-10 percentage. At the current quarter, they are upwards of 13 percentage EBITDA as a bucket. And I'd just like to reiterate what Anuj said in terms of the bucket is mixed. It's got profit-making businesses and it's got also businesses that are not making profit.

So -- but overall put together, they are kind of at a 13-plus percentage EBITDA for the quarter. In terms of CAMSPay, earlier, it was entirely dependent on mutual funds. And now the dependence on the mutual fund revenue is less than 50% of the overall.

Moderator: The next question comes from the line of Devesh Agarwal from IIFL Capital.

Devesh Agarwal: Sir, my first question would be on the MF yield. Could you share if there are any major AMCs which are coming up for renewal over the next 18 months?

Ram Charan: So Devesh, so as we have indicated in the past, there are no major AMCs that are coming up for a renewal in the current financial -- in the upcoming financial year. There are a few midsized AMCs who will come, which are kind of due in the part of the year. But there are no major AMCs in the top 5 who are coming up for renewal in the current financial year.

And that's why in the 6 months back we indicated, we're looking at a broadly stable yield regime for the next 18 months. So every year, there will be some AMCs that come forward, none of them are going to be the bigger AMCs that we had a renegotiation just a year or 2 back.

Devesh Agarwal: Right, sir. And sir, secondly, you recently won the mandate for Carnelian mutual fund. Could you just talk about how the competitive intensity is around the new -- around the -- basically for the winning the new mandates, how has been the competitive intensity? Is it coming down? Or is it still the same?

Anuj Kumar: Devesh, the competitive intensity is still the same. You know that in '24, most of the mandates came to us. After that, I think we've made it very clear to the marketplace that we are selling value. We are selling premium value. A large part of the market, which is inclined to pay that -- pay for that will obviously come to us. Carnelian is one example.

There are some bids where price is perhaps the metric and any business, there are bids where price is perhaps a metric. You will not find us chasing those deals. I think the operating part of the argument is that we want to sustain and expand market share and AUM and want to sustain and expand market share in the most profitable and the most remunerative parts of the overall stack. I think we've been able to successfully do that.

Last calendar year, you know that we took 6 asset managers line, which is a record for CAMS. So starting from Angel Broking to Unifi, Jio BlackRock, Choice, Taurus, which was a migration. And then CeyBank, which is our only Sri Lanka client, all of these went live. So I think from an operating sustenance and resilience perspective, that's great news. But again, from a competitive intensity, I think we will let competition do whatever they choose is best for them. But focusing on value and premium value to the customers, I think, remains our endeavour, and that is the way we will continue going.

Devesh Agarwal: Right. And what is the target for this year? How many AMCs are we looking to take live?

Anuj Kumar: We now have 4 which are -- 1 which are yet not live. So those 4 have to go live in financial year '26. I'm not counting the wins of '26. Typically, it takes sometimes 6 to 7 months, at least, and sometimes it takes about a year. So I think the 4 which we are carrying forward from the last year into this year, and maybe the 2 or 3 which we might win from now to June. So I will not be surprised if we take another 5 to 6 live this year.

Devesh Agarwal: And any particular drag that you see on margins because of this 10 to 12 AMCs, which have gone live last year, and this year combined for FY '27 margins?

Anuj Kumar: Actually, I will just talk about a few metrics, which we haven't really positioned yet because until we are 100% sure we want to expose it to all of you guys, we will not do it. I think we've, as a team, done a fantastic job on revenue per headcount and on overall headcount intensity of the business. If you clinically see headcount, headcount has remained flat in calendar '25, which means the headcount we entered with and the headcount we're exiting with is exactly the same. This is despite significantly expanded count of everything.

So the automation and productivity benefits, we've just stated it as a line. I can convert into figures for you in a separate session. We didn't want to position it too hard right now. I think that's been a great journey. All the 6 AMCs, all the people who are employed there, it is all part of the base now. It's all part of the base.

This year, Devesh, the way we see the overall technology interventions and the new platform capabilities, although it will be module by module, step by step, we are not going to do anything in one stroke. I expect these efficiencies to continue growing. So you will see that headcount expansion will be very muted. Revenue per headcount will be very large. I mean the expansion will be large. And therefore, all the cost and headcount related to taking new AMCs live will remain in the base and will be managed well within the base.

Ram Charan: Just like to add one thing is, Devesh. As you know, the nature of the business is that the incremental cost will be mainly the manpower. And this is true of every new AMC, which is the initial part of ramping up, there will be some addition to the manpower, but we just made it so efficient that the platform is catering to every new customer, right?

So there will be some amount of customization, but the major cost is only the 10, 15 people that you have to recruit additionally for that or in terms of transfer internally in case there is productivity improvements in other units. So it's not a significant, significant drag on the margins. If anything, when the revenue starts coming on these -- when the AMCs start ramping up, it would be a positive on the margins.

Devesh Agarwal: Right, sir. And sir, one final one. The cloud implementation that we were trying to do for our mutual fund RT operations. Any update on that? Where are we in that journey?

Anuj Kumar: So on that journey, there are very exciting developments on -- overall, I'll just spend 2 minutes on this. On the form data entry part, which is the AI-based data extraction, I think we've done very well. And we are moving a part of the payload. You typically have a maker and a checker in every process. We are moving part of the maker payload completely into the platform. It is underway as we speak. So you will see that happen completely in Jan, Feb, March.

On the compliance implementation, you would have seen the press releases, etcetera, on CAMS Lens, where we have taken a lot of the compliance payload and compliance payload is basically reading of circulars and documents issued by regulators, interpreting them, converting them into quizzes and tests into FAQs, etcetera. That product is completely ready. We announced this sometime in November. It is being used internally. We'll open it for the marketplace. And again, this was built as a small language model on top of an existing LLM. So that's production ready now.

Our data lake and our data warehouse where we are moving things from the on-prem Oracle to the Google Cloud Alloy and BigQuery kind of setup. That is underway, too. That may not happen by March. That may happen in April, May, but that part will happen.

And then there are several other exciting things. We had started building out a full module of transaction acceptance. That module will be also live or ready to go live in about April, May. So there are multiple things firing as I speak. There is a large team of engineers and of course, people, the SMEs from our base business who are involved with this. So I'm quite happy.

It's a very humongous program. It has multiple people, cultural, partner, technology dimensions. It involves work that we have not done in the past ever. And rearchitecting platforms, it takes companies very long. We chose to go on a module-by-module approach. So that part is coming out very well. We will also cover this in more detail in the analyst meet sometime in February.

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

Dipanjan Ghosh: So a few questions from my side. First, on the KRA business, do you see any sort of pricing regime change over the next few years? That was the first question. Second, at the start of the call, you mentioned some number around INR20 crores to INR25 crores possible impact due to the mutual fund. Firstly, did I understand it correctly? And second, how do you arrive at this number? And if you can kind of shed some colour on that?

And the third question is on the Payments business. Obviously, I mean, that has been growing at a very, very good run rate. Just wanted to understand in terms of new business horizons on the non-mutual fund side, is there either any inorganic activity or new cohorts where you would like to kind of penetrate into?

Anuj Kumar: Sure, Dipanjan. So I'll take your questions in order. On the KRA business, you have seen that there's been a dent in the market, not a real dent, but maybe a partial dent that onboarding costs are high in the industry. Now for specific use cases and instances like the Choti SIP, etcetera, we have made sure that we offer to the industry because we eat off the same plate, we will never be predatory pricing technique people. We had offered fairly -- I mean, rates which are amenable to the scale and size of that business.

For everything else, I think the rates across the market have been pretty stable. Is there a conversation with the industry that these prices will go down? You are reading the same statements that I'm reading. So obviously, I will not say no that this topic does not exist. The topic exists. Is that kind of an in-the-face topic and do I have to deal with it today? We will see. We will see. I think the -- from a regulatory perspective, the attempt always has been to make access easier and to sell things cheaper and cheaper.

I think from a KRA perspective, for smaller formats, for the smaller SIPs, etcetera, very, very friendly rates already exist. So will this conversation which way this will head, we will see, and we are watching it closely.

On your point number two, I think this math hasn't been done by me. This math has been done by you guys. I've read it. And I'm not either publicly endorsing it or denying. But the way this math kind of gets done is and I don't want to make it too complicated on the phone that there is a marginally positive part on some AMCs. It depends upon what PR you charge and what is the percentage split between your management fee and your expenses. But for some, the GST advantages offset the accretion part. And for some, the exit load offsets the GST expansion, the GST advantage.

So I think the way this math was done was our fraction, potential fraction, people computed and said that this is the sigma of all the potential contractions that can happen. We've read the math. We will see what conversations happen. Our belief has always been that we deliver humongous, sustained and expanding value to our clients.

From a regulatory controls, product development perspective, like I said, just taking SIF live and the GIFT City offerings live has been very, very intense for us, but we just charge base rates. Our clients are very appreciative of these things. So the number is kind of an arithmetical clerical number. We will see what happens, and we are watching the situation closely.

Thirdly, on the PA/PG part, I think what you asked is a very relevant question. We have -- like I said, we had 2 or 3 years of breakaway KRA revenue growth. We've had sustained AIF growth. And we've had about 3 years of breakaway PA/PG growth.

Now the question is a valid question. It's a large market. If I take all payment enterprises and do a sigma of the revenue, that is certainly INR10,000 crores or more. Are assets available? The answer is yes. However, it is not seen as a very profitable business at scale. It's not seen as a very profitable business, the UPI part, which is still not charged, and there are no exact signs on when that will become chargeable. So while the stack in terms of offering swizzles towards UPI, but UPI is not chargeable, isn't a great sign that investors want to see.

So right now, we will not do, although we've looked at assets closely, we always continue to look at them. I think we believe that this is a part of our offering, which we want to scale to an extent, let's say, if we get to about INR90 crores to INR100 crores next year, and maybe about INR120 crores the year after, we will pause and see what we want to do. The profitability metric is important.

So right now, I think it's unlikely that we will jump in and say some asset is -- the owners are selling. Therefore, we want to buy in the area of payments till we believe that this will align to the 30% or more EBITDA margins that we aspire to achieve from that.

Dipanjan Ghosh: Got it. Sir, just if I can squeeze in one small question. On the mutual fund side of the business, are there any asset managers where the renegotiation or the pricing -- repricing kind of happens on an annual basis or everything is more like a 2-, 3-, 5-year contract?

Ram Charan: Annual basis is not something that happens. It's generally 3, Dipanjan, sometimes 2.5, 2 if there is some expectation of an event happening in the next couple of years. But I think the average you should take it as a 3-year period. Annual generally doesn't happen.

Moderator: The next question comes from the line of Abhijeet from Kotak Securities.

Abhijeet: My first question was on the growth visibility -- revenue growth visibility on the non-mutual fund business. Now I recall that number being closer to 25%, but there was a comment earlier that 20% is the number that looks more comfortable now. So I just wanted to double-click on that first.

The second question was that the comment on cloud implementation is useful. And how do we see that along with whatever is your best judgment on what will happen to revenue yields? And how does that translate into EBITDA margins going forward? Do we still have enough scope to extract margins given these implementations?

Ram Charan: Thank you, Abhijeet. On the non-mutual fund growth, there's 2 parts to it. Yes, the target is a 25% growth. I don't think we are really looking at that. But I know you had a very subdued first quarter number in terms of non-mutual fund growth. So I think what we are saying is we will get to that place. But for the year, we have again recorded in the last couple of quarters to get it close to 25%, and that is the long-term aim to get to 20%.

But realistically, I think given that the first quarter was where it was, I think to expect in the near term, a 20% cumulative growth is, I think, realistic. But however, I think on a long-term basis, even on a medium-term basis, we are aspiring and we are confident of getting a 25% growth. I think what we are talking about is near a year from -- 1-year time frame from now where you should look at between 20% and 25%. On the cloud implementation, I think Anuj will answer.

Anuj Kumar: So Abhijeet, on the cloud implementation, I think the only thing I will refer to is that in the last 10 years and let this register in the last 10 years, if I take out other business build-outs, but I see only MF, we've engineered the entire expansion with almost constant headcount. Headcount wouldn't have grown 5%, while assets are 5x, transactions are over 5x. Storage requirements, recordkeeping requirements, reconciliation, complaints, all of those numbers have grown, but we've kept the headcount constant.

And therefore, automation in the base in general has been a very remarkable success story. You can go back and check even in the process industry, if they've been able to do this and if there are companies which have done that. And I'm talking of 2016 to 2025 time period. However, this is still working on the old platform.

We know that there are humongous benefits to be gained if we move platforms, moving platforms is a painful process because we don't want to buy anything. We build everything ourselves because that IP is what I sell for value that you see in the P&L. So we are building it now.

I'll just give you an example, 300 crores e-mails are sent by us every year, 1 crores a day. Each e-mail is an artifact, which can be disputed, which does get disputed by intermediaries, customers, all kinds of people. And therefore, I reconcile 300 crores e-mails every year. And that's just like of % of the work we do. But each part because anything can be referred to later. Do we do it most efficiently today? The answer is no, because the way it is engineered, it is not done efficiently. It has components of labour doing all of that.

As we build the new platform on technology, which is developed in the last 3, 4, 5 years by some of the strongest names globally, a lot of these processes will become very, very efficient, instant non-batch, which means I will not accumulate 1 lakh units to start the work. I can work instantly through APIs, etcetera. So we expect a lot of efficiency to accrue to the base. And when I said that despite all the expansion that has happened, 1st January to 31st December, we did not increase headcount at all in the company. That's a real statement.

Now these efficiencies will go much further, but we've been conservative in our style. It's very easy for me to put a number and start publishing it to you guys and circulate it. We are not doing it now on a purpose. One, of course, is the workforce angle because we do not want to publicly cover any contractions in workforce, we will not do that. And second, we want to be 100% sure that on a year-on-year, quarter-on-quarter basis, what advantages will accrue to investors and to the company and whether we can publish them or not.

But I can tell you that the work for that started 1.5 years ago in June, July of '24. I personally monitor these things, so I know the detail that we are in a very good place right now. If you want specific answers, maybe 3 months from now, we should be in a position to give you a little more specific. We may never declare exact margin correlation of the new platform. I don't think we intend to do that. But you will see a lot of this in the P&L. That's where I will leave it.

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

Sanketh: I had one simple question. The delta improvement in the margins, what we saw in quarter-on-quarter basis is predominantly driven by the non-MF business? Is it -- or if you can give the delta change, how much it contributed from the new businesses and maybe MF in that sense?

Ram Charan: So Sanketh, the delta actually is predominantly because of the mutual fund business only. The non-mutual fund increase in margins was there, but it was not significant enough to make more than 100 bps increase in margins. I think that level of margin did not happen non-mutual. Predominantly, it is because of the mutual fund business.

And if you see also driven by the rationalization in the manpower cost is that we do not have any increase in the manpower cost in spite of a labour code charge, I think quarter-on-quarter, my manpower cost is stable, is static. In fact, there's no increase at all, minor decrease. So it is driven only by the core business. A very small part of it is because of the non-mutual fund business.

Sanketh: Understood. And you mentioned that your blended margin is 13 percentage for the non-MF part. So maybe given it has improved by 300 basis points on a year-on-year basis, if I understood right, then is it fair to say that a similar delta can happen in this line of business in a year or 2 in that sense, given a couple of businesses are pure platforms?

Ram Charan: So the 10% reference rate was not last year. It was probably 2.5, 3 years back when we started tracking this very closely as a separate bucket. On a year-on-year basis, I think the margin increase will be close to 100 bps only. It's not 300 bps in terms of non-mutual fund business. But yes, going forward, we do expect once we start adding more revenue to the top line, as Anuj mentioned, these are all platform-based businesses, there could be a replication of this in terms of every year.

And for us to get to in 3 years' time to a consolidated 20 percentage EBITDA is, I think, the base. We should be something more than that, but at least to get there within the next 3 years, which means that as we add -- keep adding revenue, the increase in margins will be significant. So we hope to get to this 20% EBITDA margin within the next 3 years for the non-mutual fund.

Sanketh: Okay. Okay. Sir, basically, a 700 basis point improvement in the non-MF business in 3-year period is possible from the current levels?

Ram Charan: It is absolutely possible, yes.

Sanketh: Understood. Understood. And lastly, given so many mutual funds have got onboarded in the last couple of years, this people count control is sustainable? Or you think ultimately, somewhere we need to start adding people to cater to the requirements in that sense?

Anuj Kumar: You will see that we have just inserted one line on technology-based productivity. So while all these new MFs need teams. Our philosophy has been dedicated headcount fenced areas for every new client. We don't give them any shared facility to the extent possible. All that has happened.

I think all these additions have been offset by efficiencies that we've created in other places, some led by the new platform, some led by past innovations in technology and the base stack itself. So that will continue. That will continue. You will only see it gaining more momentum. It will not slow down. I think it's a 4-, 5-year journey from now where you will continue seeing these efficiencies play out.

Sanketh: So Anuj, is it fair to say that with no significant man count addition with productivity gains, you can still cater to the newer funds even if you have a dedicated team to the newer funds?

Anuj Kumar: Yes. The last full year was vindication of this. Just look at the last 4 years, we've stated in public that we've taken the 6 clients and the SIFs live. The net headcount is flat to lower, like Ram said. Those are the real figures.

Sanketh: So in simple words, then with more people addition, is it fair to say that a pure MF business, not considering the new non-MF business, there is a scope -- assume yield pressure doesn't come because of the TER or something of that kind, then is it fair to say that the productivity gains itself can expand your margins by maybe another 100, 200 basis points in a couple of years?

Ram Charan: So I'd just like to say a couple of points there, Sanketh. One is that while there is no headcount increase, there will be a remuneration increase, which is your increments and the annual increments will happen. So it's not as if the labour cost is going to remain the same. So there will be some cost pressure because you know that every year, there has to be an appraisal that goes to the employees. In a good year, it's probably more than 10%; a bad year, it's probably 7%, 8%. So that's a cost that will come in.

But as we say, even if there is moderate yield pressure and even if there is an impact on the salary cost and given the technology investments that we'll continue to make and the hiring that we continue to do for the platform, to expect 100 bps creep up in margins over the next year or 2 is something that is on the cards. But again, there are several moving parts to this. We would stick to our revenue -- to our margin guidance to say that we will be more than 45%. We will creep up to 46% and 47% in good quarters. But to predict anything more than that will be a little premature.

Moderator: The next question comes from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil: I have 2 questions. My first question to Mr. Anuj. As CAMS expands beyond its core mutual fund service into insurance, fintech and digital platforms, how do you see the revenue mix evolving over the next 2 to 3 years? And what strategic priorities, whether in technology innovation, partnerships or customer engagement will be most critical to ensure CAMS maintain the backbone of India's financial ecosystem? That's my first question. I'll ask my second question after.

Anuj Kumar: So again, the only thing I'll point your attention to is that consistently over the past 6 years since we started facing the market, there's been no change in our position on any of the things you asked, and that covers most topics. We don't want to be an overdiversified company. It's not our attempt. I think investors pay value for the kind of business they like, and we don't want to make it a mishmash.

We publicly stated we'd like to get to about 20% of revenue contribution from non-MF. We are steadfastly chasing that as a goal. If we are able to expand revenue by about INR150 crores to INR200 crores every year in the next 3 years, we will be INR2,000 crores company soon. That's in 3 years or 2.5 years. At that time, 20% of non-MF is INR400 crores, we would like to get there.

In MF, I think if you've just seen our leadership, and obviously, some of you do attend the annual -- the meet we do for analysts, you would have seen that not just the top-level leadership, but people beyond and people beyond we have made significant investments. None of this is lip service. None of this is showing you the mugshot of people who don't work for us. All of this is clearly rupee value that we are delivering to the marketplace.

If you ask me one single investment that I've made in my time, it is this. Today, we have literally between 50 to 100 engineers sourced from the IITs. And if I include the IIMs and the NIITs and some of the Tier 1 institutes, this number will be about 150, which we acquired in the last 2.5 years, 3 years to build out the platform, be part of operations, be part of product, etcetera. So that remains.

We will not become over diversified. We will not make acquisitions just to make the top line look nicer. So our stated commitment to the domestic market and despite all the temptations, you would have seen that we've been saying this consistently that till the domestic market worries us in some form, we are committed to the domestic market. This is the arena we are playing in.

Within the domestic market, 80% of our revenue should come from MFs and related market segments. We will remain there. Now the balance part, when it becomes INR400 crores or INR500 crores meets its own attention. For insurance companies, for example, we relate with the regulators and the top insurance companies, same for payments. Those 2 certainly, to an extent, AIF and KRA, although AIF is a very splintered business, there are not 60, but thousands of them. So cost of sales, etcetera, increases.

For every product class, therefore, I think the dynamics are different. Mutual fund is concentrated business. The rest of them don't have concentration. They are splitted businesses. And therefore, cost of sales will be high. Cost of product can be high where we are competing with the fintechs and the start-ups, which is like the account aggregator business.

I don't think I have a single answer for your question. All I will say is that in the last 10 years, we've been able to kind of stitch this strategy, which plays well to the market to gain acceptance, to be the number 1 or number 2 player in every segment we are in. And today, you will see that at 68% market share, we are the number 1 player in MFRTA. At 50% market share, we are the number 1 player in alternatives outsourcing. At 40% market share, we are either number 1 or number 2 insurance repository. At close to 20%, we are the number 2 in KRA.

So these are the positions we are aspiring for. Can I get there for every business? The answer is no. We'll be very happy if we have one core business, which is kind of firing on all cylinders, and we have 3 other businesses which are firing on all cylinders. You don't have companies which have 6 or 7 leadership businesses, very tough to get there. The rules of concentration apply to all of us, right? You can't be an athlete doing 3 sports. So we are cognizant of that, but that perhaps answers your question. Anything else that you need, maybe we can have a separate dialogue.

Sucrit D. Patil: Fair enough. My second question is to Mr. Ram Charan. With CAMS consistently delivering strong margins, how are you planning to sustain profitability while funding growth in newer businesses? Looking ahead, what is your framework for balancing operating leverage, disciplined capital allocation and digital cost efficiency to drive ROE and long-term sustainability?

Ram Charan: Sure. As you know that the business that we operate in offers some amount of operating leverage to us. Well, there is always puts and takes, right? So from a margin perspective, there is always the pressure that you hit on the employee cost. There is a yield pressure that you -- that is abated now, but still is there to some extent. And then there is the entire technology investments and regulatory pressures that you need to keep investing.

So this is offset by what we do in the productivity enhancements and technology, etcetera. So it's a constant kind of puts and takes between both. And we have managed to get a balance between the 2 and have seen that in that post listing, we've been able to increase our margins by 100 bps a year at least. And now that we are at a steady state of between 45 percentage and 46 percentage.

At any point of this journey, we've never optimized on our investments in technology. We never investments in non-mutual fund businesses. We have built out several products and platforms. We are cognizant of the fact that these could be the -- one of these could be the breakout revenue opportunity for us in the future also.

So we have never optimized on the investments assets. Even in quarters where the margins were 42 percentage, 43 percentage, we did not optimize on investments. We continue to build the products. We have released several such products in terms of AIF, the WealthServ, account aggregator product, the pension product and even the several enhancements that's happened from a mutual fund perspective.

So I think the future is secured from that perspective. We have invested for the future. We invested on technology. We have get an optimal look at the cost so that they don't kind of run away in terms of the operating cost. At the same time, we have enough of operating leverage to cover the yield depletion. So I think we are in a good place from a margin perspective. And going forward, we don't see much of a pressure on this also.

Moderator: The next question comes from the line of Prayesh Jain from Motilal Oswal.

Prayesh Jain: Good set of numbers. Anuj, the first is a bit of a structural question as to there are a lot of new MFs, again, getting licenses to open up and more are in the pipeline, more people wanting to open mutual funds. So how is the landscape now in terms of the competitive intensity in acquiring new AMCs into the fold? So could, if you could throw some light there? Because I think in the past few years, there has been a high degree of competitive intensity to acquire the new AMCs. So what is the kind of intensity right now that you're seeing?

Anuj Kumar: So like we said, there were 2 kinds of people who wanted to get into mutual funds. There were the broking companies and there were the PMS and AIF players. It continues to remain in those 2 boxes. Most of the new applicants are in either the first or the second box. Despite the increased network requirements, etcetera, there is obviously a trend to give a lot more licenses and make this a less concentrated industry than it has been. That is perhaps at a policy level, the thought process.

We have been clear, like I said at the beginning of this call, that we are selling value to our customers, both existing and new ones. And therefore, there are logos that we want, and we go completely after them. And then there could be -- there will always be, like I said, in every market, not just this market where people want to buy the lowest price for either constraints or just the approach towards buying.

We are not sure whether we want to be part of each one of those bids. Last 1 year, for example, we took 6 AMCs live. Some of the new AMCs, which we took live in '23 and '24 will head towards INR10,000 crores AUM mark soon. One of them has already headed towards 10,000. So some of them are making good progress. But we are selling value. We don't want to be competing on price going to the bottom of the barrel or scraping the bottom. We will deliver sustained value.

So we expect new AMCs to come in, like I said, 6 of them went live last year, 4 new domestic logos, one was a domestic transition, one was a Sri Lankan logo. That leaves 4 logos to be taken live in '26, which will be taken live by us, definitely within '26, I think. Some of the new wins, which happened from now to June will also be eligible to go live in '26.

So I think it will be about 5 to 6 go-lives, which I think is a very good number for us to kind of ensure that we are doing justice to our clients. We're giving them high-quality operating environments, strong talent and clients, obviously, who appreciate the value that CAMS brings to the table. So that's been the approach so far.

Prayesh Jain: Got that. And secondly, on the -- again, a structural bit, do you think that the RTA industry at any point in future, say, like next 3, 4 years, could move to a fixed pricing mechanism rather than a percentage of AUM basis? Do you think that is a better approach?

Anuj Kumar: Well, I'll give you the honest answer that if I had a fixed cost or price portfolio, a fixed price per transaction, a fixed price for any activity, I would perhaps end up making more money than I make today. Our price portfolio has been dipping almost every year for the last 10 years.

Our price per transaction has been dipping every year for the last 8 or 9 years. So it's just that it's a more uncertain regime than the regime today. We've been used to a certain regime and used to managing cost and profit in a certain regime.

It will be a humongous change to implement something like that. The change requests will have to be priced. A lot of administrative and pricing work and scoping work will come in, which I don't think we, as an industry, are ready for. So we are happy with the way things are happening, and we are happy the entire retailization. We gave you a number of CAMS registering 1.2 crores SIPs in a quarter.

10 or 11 years back, this number used to be less than 1/10, right? No, my revenue has not grown 10x. I could have charged cost per SIP registration, and we would have been a richer company. But all of that is meant for other people. I think we are quite happy with the pricing, so are our clients. And I don't think any dramatic shifts in optimizing it for either side, either the buyer or seller the way right now.

Prayesh Jain: Got that. Just some bookkeeping questions. On the employee cost, there has been a flattish trajectory or marginal decline, in fact, sequentially. Ram, anything on the new labour law that the impact has yet to be taken or anything on that sort?

Ram Charan: So Prayesh, so as you know, that labour law was notified on 21st of November. And I think there are some rules that are yet to be notified, which is expected to be April 1. There are 4 broad lens to it. People are talking about a gratuity impact, a possible ESI impact, a possible fraud and fund impact and a possible even catchment impact.

In our assessment, the biggest impact will be the gratuity impact. Others could be minor, if any. And we have taken the full impact of the gratuity. So we have done an actual valuation, and hence, I think going forward from a labour code perspective, we do not expect a significant cost to come to the books. I think that has been fully provided for in the current quarter.

Prayesh Jain: Right. And last bit on the seasonality in CAMSPay, like in the fourth quarter of FY '25, we had seen a very sharp jump from about INR11 crores to about INR16 crores revenue. That's because the CAMSPay is a part of insurance as well, we should expect something similar. Is that the right way to think about seasonality in CAMSPay?

Ram Charan: It is true that there will be an uptick in the revenue in Q4, Prayesh, that is expected. However, we are trying to normalize things so that we don't see a big dip in Q1 also. There are enough efforts underway to broad base the client base to ensure that doesn't happen. But to your limited question of whether there's going to be a spike in Q4, we do expect Q4 revenue to grow over Q3 revenue.

Moderator: Thank you. We will take this as our last question for today. I now hand the conference over to Mr. Ram Charan for closing comments.

Ram Charan: Thank you, and thank you to all the participants for your participation and spending time on CAMS. As always, if you have any queries, please feel free to reach out to Anish or to Orient Capital. We'll be happy to take your meetings and questions. Thank you.

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