



“Computer Age Management Services Limited  
Q1 FY'26 Earnings Conference Call”

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**MANAGEMENT:** **MR. ANUJ KUMAR – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – COMPUTER AGE  
MANAGEMENT SERVICES LIMITED  
MR. RAM CHARAN – CHIEF FINANCIAL OFFICER –  
COMPUTER AGE MANAGEMENT SERVICES LIMITED  
MR. ANISH SAWLANI – HEAD, INVESTOR RELATIONS –  
COMPUTER AGE MANAGEMENT SERVICES LIMITED**

**MODERATOR:** **MS. MASOOM RATERIA – MUFG**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call of Computer Age Management Services Limited hosted by MUFG IR. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Masoom Rateria from MUFG. Thank you, and over to you, Ms. Masoom.

**Masoom Rateria:** Thank you. Good morning, and welcome to Q1 FY '26 Earnings Con Call of Computer Age Management Services Limited. Before we proceed to the call, 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. A detailed disclaimer has been published in the investor presentation. Today from the management of the company, we have with us Mr. Anuj Kumar, the MD and CEO; Mr. Ram Charan, the CFO; and Mr. Anish Sawlani, Head Investor Relations. I would like to hand over to Mr. Anuj Kumar, over to you, sir.

**Moderator:** I'm sorry to interrupt, but your voice is breaking.

**Anuj Kumar:** Yes. That's okay, Masoom. Thank you. Your voice was breaking towards the end. But thanks for the introduction. Good morning, everyone. Thanks for joining this 1Q earnings call of CAMS. We will follow the standard format of taking you through a structured deck between Ram Charan and I, which will last about 20, 25 minutes. And then we will have enough time open for Q&A. You would have now access to the earnings deck.

I will just give you a prelude just in terms of broadly how the quarter went and then launch on to taking you through the deck. So broadly, it was a quarter in which we did face some pressures and some headwinds. And I think given the fact that the financial metrics are still looking very strong, and I'll get to them in just a bit, it's been a great job done by the team to get us the results that we have. You're aware that because of telescopic structure, we do face some pricing pressure as AuM overall expands.

We also briefed you back in January '25 that in a large account, we were trying to do a reset of prices just to bring them at par with the market. And that reset was supposed to last the next 3 or 4 quarters. I think the good news is that, that reset is almost complete. Over 90% of what fee remissions, etcetera, we had to give have been given in the fourth and the first quarter.

So, what you will see is a very marginal impact going forward and the results that you see, both revenue and bottom line, EBITDA and PAT are after doing almost 90% of the price reset in that large account.

There is very little more to come after that. You're also aware that in the first quarter, we typically take a cost expansion largely led by salary increases, increments and those kind of things, and wherever we have annual maintenance contracts wherever the price goes up. So, all that is on the base now, which means all that impact has also been taken from a 1Q perspective.

After all of this, which means some impact of telescopic pricing, setting right about 90% of the price remissions and taking them in the base, all the expansion in cost largely led by salary increases for the year.

And the last thing I would say is that specifically from a capital markets perspective, you are aware that the KRA business, not just for CAMS, but across the industry has been impacted, given everything which has been happening, including the smaller number of new accounts which are being opened for F&O and regular trading, demat, etcetera, also in mutual funds.

So, our KRA business from a year-on-year and a quarter-on-quarter perspective did see some contraction. All of this having happened in the quarter. For the quarter, you still see an EBITDA percentage, which is north of 43% and a PAT percentage, which is just short of 30%. And I think this vindicates the resilience of the model that we've had quarters, if you go back to second and third quarter last year, we had tailwinds across the board, MF, non-MF cost, all of that.

And I think despite some headwinds that I stated about, most of which were known, bringing in the kind of financial metrics that we have posted, especially on the profit line. But across the board, if you look at financial metrics on a year-on-year basis, we've had, I think we've kind of delivered an act which is pretty strong. So that is something I wanted all of you to know as a preface. I'll jump on to the main deck, and I'm on the chart on business highlights.

Very pleased to share with you that for the first time in history, we've crossed INR50 trillion or INR50 lakh crores of overall assets. Must also say that in July, this did inch up to about INR52 sometimes INR52.5 and we'll see how the rest of the quarter last. But INR50 trillion or INR50 lakh crores was a significant achievement. We retained market share with 68% by AuM.

At the same time, our equity assets surpassed the INR25 lakh crores mark. Again, if I look at July, these have been hovering in the just short of INR27, which is between INR26.5 lakh and INR27 lakh crores. And inflows continued despite all the volatility and just the plethora of news items that were coming in. So that's, again, from a foundational metric perspective, a very strong act. Overall AuM across businesses in mutual fund grew 22%.

Equity assets grew 24%, which was ahead of the market, which is again good news. New SIP registrations year-on-year to about a crores and 12 lakhs. These increased 19%. Market share jumped up for new SIP registrations by 6 percentage points. Now typically, it's a very tough act to continue posting this kind of market share increase.

So, we'll continue keeping you updated on what happens to it in the ensuing quarters. But for that 1 quarter, it's a significant gain in market share. Live SIPs, these are SIPs which are live and which get the monthly collection, which basically adds to gross and net equity sales. That number grew 15% year-on-year and market share improved from 57% to 62%, which is again a very significant jump up.

Unique investor base crossed the 41 million. So, it's about now at INR4.15 crores grew 27% year-on-year, faster than the industry, which grew 22%. So, if you see the collectivity of foundational metrics, which is gross assets crossing INR50 lakh crores, equity crossing INR25, AUM growing 22%, equity assets growing 24%, new SIPs, significant up in market share and live SIPs, significant up in market share and investor base, which grew faster than the market. I think all of those are great redeeming features for the quarter.

Also, the fact that you know that we had won a slew of contracts, new AMCs in about the last 14, 15 months, 7 of them were waiting to go live. But typically, in the past, we used to take about 1 or 2 AMCs live in a year. The good news is that 3 of these are already live, including Jio BlackRock, which did its weight in NFO. This was not in the first quarter. theoretically, the numbers came in the second quarter, so you don't see them in the results.

And they garnered about INR18,000 crores in the largest, in what was the largest in the industry. The balance 4 new AMCs are slated to go live in the next 3 to 6 months. We also took Ceybank, which is the first official, I would say, national client and asset management, live during the same period. So, they are live and working on the CAMS platform. That's across the board on the MF side.

And again, I would say that just from a foundational perspective, each of these can be straightway correlated to revenue-bearing metric and therefore, will help the story play out in the coming quarters, including starting from the second quarter.

Beyond mutual funds, CAMSPay, although from a quarter-on-quarter perspective, wasn't very strong, but 26% year-on-year growth. The payment gateway infrastructure for cards has become operational now. It was slightly delayed, but we'll continue to kind of buttress the revenue growth from now onwards. So CAMSPay grew 26% and the payment gateway went live.

Alternatives continued to solidify its market leadership. We got 24 new logos. Like you know, these are full-service logos. I keep saying none of them is a truncated service, 50 new mandates, 3 new clients in GIFT City. Overall, AuM of CAM service funds crossed INR2.7 lakh crores during the quarter, which is great news.

Insurance policy count, and I'm sure you've been reading about this in other newspaper articles, nothing to do with CAMS PR. But in general, the acceptance of repository is gaining ground without any bulk deals. So, this is largely consumer-led. That consumer-led metric has seen policies grow by 41% year-on-year. And again, it has, this is straight revenue-bearing metric for the coming quarters.

Also, do keep in mind that while LIC signed up with us in March, they are still not live, expected to go live in the September, latest October time frame. So, you can expect or at least I'm expecting that this 40% growth in policy-based number should be repeatable given that whatever tailwinds we have in that area we have, consumer preference for holding demat insurance policies is going up. And with LIC with the market leader participating at some time, that momentum across the board is expected to go up.

You would have also seen an announcement on 29, just 2 days, a day or 2 back that CAMSKRA has entered into a definitive agreement for acquiring the KRA business of what is called DotEx in common parlance, NSE Data Analytics. Do keep in mind, this is like a slump asset sale. So, we're not bringing in the infrastructure or a large count of employees or rents or leases, etcetera. This is largely, the inventory of CAMS goes up on a base of 2 crores TAM that CAMSKRA has. This adds about INR13 lakhs, 14 lakhs.

So, it straight away accretive to revenue. It does not bring in, brings in very marginal costs, which is repatching 3 or 4 employees, and getting out of the leases, we won't be using the data center, etcetera. All of that will just come and sit on the TAM system. That is a transition part. So, this is something we've been working on for some time.

And again, coming from the NSE stable is a great accretion to the overall KRA business and will be significantly revenue accretive, but very marginal cost, a small fraction of the cost will come to us.

CAMSKRA otherwise broadly continued to onboard strategic clients. The good news is that one more of the top 5 brokerage houses that we started breaking into BPs and brokerages in about the last 30 months. We've broken through one more. Otherwise, the aggregate new logo additions is 40 large, medium, small, all kinds.

And then I also wanted to say that in all this, Think360 got a POC leading to a contract of an AI-powered data and insights platform for a U.S. health-tech firm. You know that Think traditionally has had experience and expertise in the molecular research area for drugs and therefore, have some recall and some proximity to that segment of the U.S. market. So, they've started work on this.

Of course, it has to scale up to become a regular large-sized contract and we will how this part goes. In the ensuing 4 or 5 slides, you have content on everything else that we've spoken about in the past. I'm not going to spend too much time on this. The charts are there. Take a look and let us know if you have any questions, either now or later, if you're in touch with us.

With this, I'll hand this over to Ram Charan to take us through broad financials, and then we'll be ready for Q&A. Ram, over to you.

**Ram Charan:**

Thank you, Anuj. As Anuj was mentioning, we had some headwinds during the quarter, some of which we had already alerted to you in the earlier part of the year in terms of the price movements and the salary, annual salary increase that happens traditionally in the April 1, effective April 1.

So, but the good news is that from a trend perspective, the market has, in spite of choppy markets here and there, the market AuM has grown. It's grown over 7% on a quarter-on-quarter basis, which means from a foundational perspective, it all goes well for the future revenue growth.

Equity has also done well. It's grown around 24% on a year-on-year basis on the back of which we had a reasonable revenue growth on a year-on-year basis. Overall revenue grew around 7 percentage, and we were at around INR355 crores of revenue. Asset-based revenue grew 2% quarter-on-quarter and almost 9% year-on-year. Again, this is considering the impact of the price difference or price reduction that was given to one of our key customers.

From a yield perspective, I think Anuj has given the commentary. I'd just like to add that we had guided that there could be a 4% to 5% reduction in yields in the current quarter in addition to what you saw in the last quarter, and it's played out on similar lines.

We have seen a close to 5% decline in yields. But going forward, as we have taken most of the impact in the base, we expect that barring telescoping, there is not going to be any significant depletion in yields going forward. And you know that from, if you see the math on a 5-year average basis, telescopic depletion has been around 3% to 3.5% per year.

So, we should expect closer or lesser to that going forward in terms of yield depletion. However, because the first quarter has seen a sharper yield depletion than usual, on a year-on-year basis, you could see a 9% kind of a yield depletion. But the next 3 quarters would see a very, very moderate decrease, if at all, in terms of yield depletion.

From a profitability perspective, you've seen that the costs, we have said that we have some levers in case of some strain on the revenue, and we said that we will pull those levers, and we have done exactly that. We have seen cost control measures bearing fruit. We have had a very muted increase in cost on a year-on-year basis, including depreciation, which we continue to invest on various data centers and storage and servers, including depreciation our overall cost increase on a year-on-year basis is less than 11%.

So, our aim for the year is to keep it around that range, probably 1 percentage higher, but much less than what it was in the past. And on a quarter-on-quarter basis, you will see that the cost has actually declined. And even if you take away the OP decline, I think, and if you consider that this is the quarter in which the salary has increased, seen a very, very muted increase in costs, which again is the way forward for us in terms of increasing the profitability.

Margins, again, given all these headwinds, the margin still was at 43.7 percentage, a little down on a quarter-on-quarter basis, year-on-year basis. But again, traditionally, the first quarter has been the, has seen the maximum strain on margins. And as we go further, this kind of gets normalized.

And while we will, we are maintaining our guidance of saying that we will see around 45% of margin on a steady-state basis, there is a little upside in terms of the current quarter. We did not expect close to 44% margin. But going forward, I think we should be able to hit the 45-plus

percent EBITDA, obviously, assuming that the assets do keep up the pace of growth that we have seen in the last few quarters.

We have ended the quarter with a very comfortable cash and cash equivalent of INR788 crores, out of which INR90 crores dividend was disbursed in the current month post the shareholder approval, and the Board was pleased to declare an interim dividend of INR11 per share. So this is a summary of the financials.

And with this, I hand it back to the moderator. We can open the floor for questions.

**Moderator:**

The first question is from the line of Prayesh Jain from Motilal Oswal.

**Prayesh Jain:**

Sir, just firstly on this yield part, while I understand that the adjustment of the one big negotiation has happened, any further renegotiations that are expected in this year or early of next year that can impact the yield further? That's first. Second, on the yield front itself, as these new customers, particularly Jio BlackRock kind of scales up, do you think that your yields can be under pressure?

Because what we understand is most of these new wins are, have a very low fees in the initial part, in the initial 2 or 3 years. So yes, that's my first question on the yield front. Second is on the non-MF businesses, particularly CAMSPay, which has seen a sequential decline in this quarter, what would you attribute that to?

And how should we think about this? Yes, probably, and thirdly, on profitability between the MF business and non-MF business, if you could spell out the EBITDA margins both ways? Those would be my questions.

**Anuj Kumar:**

Sure. Thanks, Prayesh. So, I'm sure you appreciate that our guidance with respect to prices, yield depletions, etcetera, plays out almost exactly the way we predicted to you in the last 4 or 5 years, which is that we don't want any asymmetry to exist between what we are anticipating in terms of events happening and what you see. We believe that with this large contract, 90% of that the price adjustment being in the base.

For the next about between 1 year and 1.5 years, there's nothing else, nothing much else to be dealt with. There could be very small events. But from a large price correction perspective and do remember that we were the first ones to indicate this in the month of January. So, from a price perspective, like Ram said, about a 3% annual depletion is something you can estimate to be in the base. And nothing much beyond that, except the balance 7%, 8% of this price adjustment will you see coming in. That's point number one.

Point number two, from a new AMC and Jio BlackRock perspective, yes, a large number of them have now are going live and will go live. Typically, their accretion to overall fees and overall profitability, et cetera, is small. In the case of BlackRock, their emissions are very large. So, we will see how that scales up over a period of time. It is not true that we have given some very large price remissions.

Typically, 1 or 2 of these elements are given at more, I would say, competitive pricing, but it is not that we've done anything very significant for these new logos. So we will see how this goes. Typically, our expectation is that the AuM build-out of these new AMC's is very slow amongst the new ones, takes several years, 4 to 5 years for them to scale up. So for them to have any material bearing on the P&L of CAMS always takes time, and I don't think a lot of that is going to change, perhaps with the exception of Jio. So that's answer to point number two.

From a CAMSPay perspective, what you see, so you will appreciate that on a year-on-year basis, we are 26% revenue up, which is good news. From a quarter-on-quarter basis, there were some volume reductions in insurance. Insurance peaks in the fourth quarter, so whatever activity, heightened activity the insurance companies see, we partly mirror that because all of this is a subset of the payments part of the insurance business, including AutoPay. And we are expecting some of that to come back as the first and second quarters progress.

There were some lower volumes from key clients, one, largely because we are trying to migrate that very large MF distributor from other alternate platforms to our platforms, which means that the existing ACH mandates, et cetera, have to move from place A to place B. Where we had a plan, the execution has been slightly slower just given the multiple dynamics in migrating these ACH mandates, but all of that will happen.

And the third is that the growth, the setting up and growth of the payment gateway business was slightly slower, was about 2 or 3 months slower than what we were thinking. So our expectation is that from this quarter, the quarter that we are sitting in July, August, September, you will see build back into the CAMSPay business. And therefore, any wrinkle that you saw from 4Q to 1Q was a temporary wrinkle. And it's unlikely that you'll see anything like that in the ensuing 3 quarters of the year.

**Ram Charan:**

The only one question that was on the profitability of non-MF and MF. I think they continue to be on what we used to be. The non-MF profitability, we said it's always between 10 and 15 percentage. They were a little lower on this 12% probably in the current quarter. MF continues to be 45-plus percentage. So that's the split up on MF, non-MF, probably a little lesser this time. Keep in mind the overall company margins are a little lesser, but nothing that's swung it either way.

**Prayesh Jain:**

Got that. I really appreciate the kind of guidance you have been giving us on the trend and the way it's panning out. Thank you for keeping us updated on that.

**Moderator:**

The next question is from the line of Devesh Agarwal from IIFL Capital.

**Devesh Agarwal:**

Just a further clarification on the yield part, sir. If you can tell us ex of this large AMC where you had the repricing, what would have been the impact on the yield for us?

**Ram Charan:**

So Devesh, if you see the yield depletion was 0.12 bps, I think, and the bigger AMC actually contributed 0.09% of it. So it's almost predominantly everything. That's kind of the way it has played out.



- Devesh Agarwal:** So 75% is because of that repricing?
- Ram Charan:** Yes, yes, that's correct.
- Devesh Agarwal:** Right. And you did mention there is no more repricing or 95% of this large AMC repricing is in the base. But when you say no more repricing are expected, are you saying like over the next 3 to 6 months or for the next 2 years? How should we see about it?
- Ram Charan:** So let me clarify that it's not as of no repricing, meaning when I say repricing, I mean the usual commercial negotiations post the end of the pricing tenure will happen, and that's business as usual. What we indicated was that there's not going to be anything major that's going to come around. And this is probably for the next 2 years, you will see stability on this. And I'm not saying you won't see stability post that, but I think we have visibility over the next 18 months, 18 to 24 months.
- Devesh Agarwal:** Right, sir. And when you guide for this 3%, 3.5% depletion beyond FY '26, I'm assuming you're accounting for all these new AMCs and they're gaining size, including Jio BlackRock or that will be over and above?
- Ram Charan:** So as Anuj was mentioning, right, I think if you look at our asset base, it's almost like INR52 trillion, INR53 trillion, etcetera. So I think the new AMC's ability to adversely or positively affect yields is very limited. So I think we are confident of retaining within the overall guidance that we have given.
- Anuj Kumar:** From a metric perspective, Devesh, just think of it this way that today, when you see the asset base of INR50 lakh crores under 2% of this belongs to AMCs, which were launched in the last 5 years, which means whatever was launched in the last 5 years is significantly below INR1 lakh crores.
- So either way, price or any other growth metric, what you would expect in the next 4 to 5 years, although the number of wins is very large, that at most, we will see about, let's say, 2% to 3% of AuM contribution from these people. And therefore, their collective ability to swing the P&L either way, I think, is very limited.
- So I will hold whatever I said that beyond the next 18 to 24 months, the 3%, 3.5% depletion is perhaps something which stays in the base because that is an outcome of telescopic and some element of negotiation. This was one large element that we had to set right the dialogue was old.
- If you ask me, it's a good thing that we've got past that event. It took us some time to get past it. And given the fact that all of that has been now written in the base between, largely between 4Q last year and 1Q this year, the costs have been managed well. And therefore, our ability to be a lot more predictable and accretive in the coming quarters is much, much higher.
- Devesh Agarwal:** Right, sir. So with this repricing, sir, that has happened, can we say at the end of 1Q, your top 3, 4 AMCs will have a very similar pricing, will be in a very narrow band or tight band?

**Anuj Kumar:** Yes. So if you see our spectrum of 22 clients, there is a lump of 5 at the top, which is consistently priced. There's a lump of another 6, which is AMC #6 to 11 and which are also in the similar band. So that is pretty consistent. And then as you go down, although those are smaller people. But yes, there are these 3 subgroups that you can think of the portfolio in, and they are all very tightly banded.

**Devesh Agarwal:** Perfect, sir. And one last question, sir, on the non-mutual fund business. If you can again share your views in terms of the growth that we expect over the, say, next 2, 3 years and the margin, how you intend to ramp up? And what is the share that you expect of non-mutual fund business in your overall revenues in, say, next 2 to 3 years? That will be the last one.

**Anuj Kumar:** So, no Rush, Devesh. So, like we've said in the past, so we will get the non-MF portfolio to 20% and no questions about that. Inside of non-MF, there are very strong points, which is KRA payments and AIF, which are significantly profit yielding. And then there are elements which are not making money, which is account aggregate insurance, although insurance is getting somewhere towards breakeven, but we are funding some of these things. And then between Think, MF Central, et cetera, we are still funding some of those things.

So, the non-MF business at the peak will be, let's say, 35% to 40% EBITDA in the best. And at the bottom, maybe minus 10%, which is why it converges at about plus 15%. I think what is at 40% will probably remain at 40%, what is at plus 30% will remain at plus 30%, and we are happy to keep those businesses there.

The trick is to get the minus 10, minus 15 guys over the hump and get them to positive territory. And I can tell you that, for example, in insurance, we are seeing let's say, INR25 crores to INR27 crores, maybe INR30 crores revenue, we will get too positive and account aggregated at about INR1 crores revenue we will get to positive. In most platform businesses, which have small labor, that's amount of fixed cost that we deploy between INR10 crores to INR15 crores.

So, what I'm very positive about is that pouring more revenue into insurance, into account aggregator between Think and MF Central. And MF Central is also not very far, although we've been funding it for the last 4, 5 years, but we are very sure of getting to that point.

So therefore, 20% overall revenue contribution, getting in the next 3 years, non-MF aggregate to be, let's say, between 25% to 30% profit contribution and not between, not around the 15% is really in the realm of reality. You can expect that to happen.

**Moderator:** The next question is from the line of Uday Pai from Investec.

**Uday Pai:** Just one clarification on the yield side. So, you mentioned that out of the 0.12 basis point deflation this quarter, a large part was account of that single AMC. So, the remaining was purely on account of telescopic pricing? Or did we have any other repricing from any other customer? That's the first. And secondly, I would like to know the breakup of KYC revenue in terms of brokers and AMCs. So that's the 2 questions.

**Ram Charan:**

Sure. The first question, there is just one more customer who had a very small price reset that happened. So, it was not significant. So you could assume that a lot of this is because of the telescopic pricing. Again, as we said that going forward, there could be, there will be 0 price resets will happen. When we say price reset, it's not a significant one.

Every time there is a rollover, there is some discussion depending on the growth of the AMC, there could be some moderation in rates that could happen. So, I think that's a BAU kind of event that has happened. So, nothing significant from that perspective. So predominantly, it is the major customer yield accretion that you are seeing.

The second part of it, if you see from an AMC to brokers perspective, around 30% of the KYC revenue will be from the brokers and DP's perspective and 70% will be from AMC. And that is a metric that's been trending upwards over the last few quarters.

**Moderator:**

The next question is from the line of Abhijeet Sakhare from Kotak Securities.

**Abhijeet Sakhare:**

I have just one question on opex. So, this, generally, what we've seen for the last few years is that the first quarter opex is roughly around the 25% mark as a percentage of overall opex for the year. So, should we assume that to continue this year as well, which automatically implies that the opex number broadly kind of settles at this level? Yes. So, any color on that would be helpful.

**Ram Charan:**

So, Abhijeet, I'll just split it into 3, right? So, the major cost is the employee cost, then there is the operating expenses and other expenses. On an overall, if you see year-on-year, including depreciation, we have been probably between 10% and 11% growth in the current quarter, which I think is a very moderate level.

Now going forward, given the nature of the business, we do not see a significant, significant addition in manpower that is happening. So, we should actually have some cost increases happening from an employee perspective, but it will not be significant because the appraisal cost has actually been baked into this. Operating expenses is colored by OP, right?

And if you see in the current quarter also, there's been a reduction in OP in the revenue as well as cost. But if you take that away, it continues to be around 13% of overall thing. And other expenses are, the first quarter, we'll see the maximum because of AMC renewals, et cetera.

So while we do not foresee any big increase coming up in the remaining part of the year on any of these exceptional things coming up any of these things, I continue to hold the view that we should be able to contain the cost increase at around 11 to 12 percentage worst-case scenario or probably a little less than that on a year-on-year basis for the entire year.

Whether it will be following the trend of first quarter, I think it will be with a small increase here and there because of some amount of employee additions that will happen. But overall, if I were to project a cost increase on a year-on-year basis for the entire year, I would like to keep it at 10 to 11 percentage.

**Abhijeet Sakhare:**

Got it. Secondly, the non-MF businesses put together, I mean, there are various ebbs and flows across the business lines. But on a full year basis for the entire non-MF vertical put together, how do you think about this year's revenue growth given the first quarter, how it has panned out for a couple of business lines?

**Ram Charan:**

So, I think Anuj mentioned the reasons why the first quarter on a year-on-year basis, I continue to see a good, reasonably good growth, right? So, our aim is very clear, and we have the road map to achieve this 25% growth in non-MF revenue, right?

On absolute terms, we ended last year around INR190 crores of non-mutual fund. And would we be able to add 25% on top of it? I think we have the path to do it. I think we have the way to do it. So, we stick to that guidance that it will be a 25% growth in non-mutual fund on a year-on-year basis.

**Moderator:**

The next question is from the line of Dipanjan Ghosh from Citi. The current participant has disconnected. So, may I move to the next participant? The next question is from the line of Madhukar Ladha from Nuvama Wealth Management Limited.

**Madhukar Ladha:**

So first, really appreciate the upfront guidance on the yields. I think that was very well done and very clearly explained. My question is, first, how many of the mutual fund customers and the large ones come up for renegotiation in the balance part of FY '26 and FY '27. If you can just sort of break down for FY '26, how many are there and then FY '27, how many of the customers do?

And second question is on any guidance on capex for FY '26 and '27? And given, and the update on the technology transformation that you've been doing and moving the AMC stack on cloud. So, I wanted to get a sense of where are we? And from next year onwards, what sort of benefit it would result in, in terms of our EBITDA margins? And how should we also think about depreciation going forward? So, these 2 would be my questions.

**Ram Charan:**

Okay. I will take 2 of this. And on the rear, probably I would request Anuj to add some his views on this. See, from a price reduction perspective, the answer is any major coming up for renegotiating current year, the answer is 0, nobody is coming up. And for the next year, towards the tail end, there could be 1 or 2 customers who come in. But again, it's towards the tail end of next year.

So you will, that's why when we kind of said to the earlier question that we do see some amount of stability for the next 18 to 24 months. I think one of the reasons was this, which is that last year has seen an overactivity in terms of prices. And so, we will see a period of stability for the next 18 to 24 months is our expectation, right?

From a capex perspective, you will see I split it into 2. One is obviously the regular capex that we do, given that we have to keep pace with the growth in transaction volume with the requirements from the SEBI perspective for data centers, et cetera, BCP, etcetera. So that on a yearly basis, we project the current year capex to be around INR60 crores. We have spent around

INR15 crores of it in the, so we're on target in the first quarter. So, we will end up spending around INR60 crores, plus or minus a few crores.

That's the expectation. On the rearchitecture or the new platform perspective, and that's where the bulk of the capex additions would get added once the module starts going live. On a cumulative basis, we have spent around INR50 crores on the platform so far. And I say cumulative, I mean for the last, more than a year, right? It's not in the last quarter.

Last quarter, we had have spent probably INR14 crores on it. So once the first module starts going live, which we expect probably 4Q of this financial year or 1Q of next financial year, we will start amortizing that.

And the amortization, we expect that the yearly amortization of the first module, we would have spent probably INR100 crores on the first module and the yearly amortization will be in the region of INR15 crores plus, right? I think that will be the yearly amortization that you will take. So that will be the increase in depreciation cost that you will start getting from, most likely from next financial year or tail of it could be in the last quarter of the current financial year. That will start impacting depreciation from that perspective.

But we are also confident that the benefits that will start accruing to the business will sort of make it over a period of at least not immediately over a period of a year or 2, I think the payback will be more than adequate for people to see. And the margin depletion will be negligible, if any, over a period of, at least our projection shows the margin depletion will be negligible.

And if you do get outsized benefits as we hope we will, then I think it will be accretive to the margin. But it's too early to call a specific number as what could be the benefit in the EBITDA margin because I think we have to wait for the first model to go live. We do have internal budgets and workings, but I think it's too early to expose that as a commitment from our side. We will track it very closely. And as we get closer to the first module going live, we will be able to give you a better picture on what is the benefits.

But we are very clear that this will have a positive impact on the profitability going forward. Whether it is going to accrue directly from FY '27 or from FY '28, I think something that we'll have to wait and watch. But overall, it's going to be very beneficial to the margins. on the progress of rearchitecture.

**Anuj Kumar:**

So overall, on the rearchitecture project, I think things are in very good shape. We signed a contract in June, July last year with Google Cloud. We started building a team. So today, we have over 150 engineers, about 170, 180 external hires, a lot of them from blue-blooded institutions like the IITs, some Mtechs, 4 or 5 doctors, people who are applying for patents because some of this is very structured and we know what is to be done and some of that is from a tinkering approach in terms of experimenting with various things.

And I think you will start seeing some announcements from us in about, maybe by the end of August in terms of what the team is doing. We haven't done any PR yet. But just to give you an

example, the amount of efficiency this will add, one is just to the engineering coding and platform process.

And the other is to the operations process. Just to give you an example today, we may have a couple of hundred people today who do reconciliation for us because we download bank statements, do matching in the system and do literally hundreds of activities to make sure that the INR300 lakh crores that reverses our system is completely pristine and done properly in terms of reconciliation unit allotment.

Once an automated platform of the kind that we are thinking comes in, the intensity of labor will go down to half or less than half. Similarly, for every process, we signed INR300 crores SMSs in a year. Today, if 1 or 100 of those SMSs have to be reconciled when they were signed, when they opened, if they bounce right did they bounce. There is a lot of manual effort in trying to figure that out. All of that will be at a click for button.

Similarly, for analytics, controls kind of things, risk management, all of that will get into the purview of the new platform. So very happy with the way things are going. I think we haven't exactly yet put out any margin workings. So, I think what you guys are waiting to hear is that will this become kind of a cost 0 proposition in FY '27. And if yes, by what margin? And my guess is that we will be ready to share all that with you in the next maybe 3 or 4 months.

There is just a vast suite of areas, in which productivity will go up, accuracy will go up, rest will come down, finesse will go up. And we do want to talk to you guys about that. But we don't want to jump the gun. I think broadly from an operating perspective, very good progress from a specific guidance on margins and net cost on this. Give it another 2 or 3 months, maybe by the month of October, we will start putting things out, which you can consume. And then obviously, we're going to continue comparing notes in terms of whether that progress is achieved or not.

**Madhukar Ladha:**

Got it. Got it. Just Ram, I think you mentioned the maintenance capex for FY '26 at INR60 crores, but I don't think you gave me like the total sort of other capex amount as well. So, the total rearchitecture capex for '26. And similarly, if you could give FY '27 also some broad color on capex?

**Ram Charan:**

Sure. So yes, I think from a rearchitecture perspective, I did mention that we have spent from a capex perspective around INR14 crores in the first quarter. We in Q1. And we expect in the course of the year, this will accelerate, and we will spend close to INR100 crores in the current year. The spend next year will be on similar lines.

The spend next year will be on similar lines because we have reached almost like a peak capacity from a people perspective and from a design perspective. So, you would expect overall the cost of the project is expected to be around INR450 crores to INR500 crores. So, you will end up spending around, by the end of this year, it will be around, cumulatively around INR125-plus crores. So, we expect a similar amount to be spent in the next year also.

From a depreciation perspective, I would just like to alert that once we start amortizing this, which should be after the first module goes live, probably INR100 crores of cost get transferred

from work in progress to your asset and we start amortizing. Obviously, amortization period could be higher than 3 years, but it is going to be a very valuable platform. So that's why I guided that probably you should look at INR15 crores to INR20 crores depreciation incrementally per year on the research.

**Moderator:**

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

**Dipanjan Ghosh:**

Just a few questions. You mentioned on the reduction in pricing asymmetry on the mutual fund side of the business. And I understand there have been a couple of repricing by this large player in the last few years. But let's say, 2 years out, 24 months from now, when this particular player looks at their mutual fund RTA yields, let's say, on the more dominant portion of the book, which is equities, do you think that they will feel comfortable when they compare them with the other large 3 or 4 players, let's say, 24 months, 36 months from now.

So just wanted to get a quantum of whether the repricing and the stabilization is done more from a long-term perspective? Or is it just like relative divergence has narrowed for now? Second, in terms of the nature of these contracts, I just wanted to understand, are these open for ad hoc repricing also? I mean, if can a particular player always come up for renegotiation, even if the contract is currently ongoing?

And third will be on the Alternatives business. If I look at the revenue trajectory for the last 4 quarters, it has revolved around that INR9.5 crores to INR10 crores quarterly run rate despite multiple new logo wins. So just wanted to get some sense of what's happening out there?

**Anuj Kumar:**

So broadly to answer your first question on whether the, and sorry, when I said asymmetry, I meant what we know versus what you guys know. We want 0 asymmetry there and feel happy that we've been able to kill that. The mutual fund market typically honors contracts and out-of-turn requests for adjustment, I mean, it's not that it's impossible, but don't happen very often.

So broadly, from a principal perspective, you can take it that. That's the way the market works. From this contract that we have discussed more than once on these calls, I think our way of servicing when it was a world of physical paper and checks and all of that, it had come to almost 90%, 95% digitally executed operation.

And therefore, the request from the client was that since whatever they paid in the past, they paid in the past because of a different style of working. Now since the style of working after COVID is more or less the same. why not look at a uniform pricing. So, while you can say that it was out of turn, that dialogue started maybe in '21, '22.

It took us 2 or 3 years because it was a large quantum to set right. And like I said, I'm happy that, that is now behind us. With that being behind us, I think one principle that most of these clients believe should apply to them because scope differentials are very small. There was a time when scope differentials were deeper. We were doing ABCDEF for someone. We were doing ABCDEF and GH for someone else.

So, someone else had 30% more scope, was they willing to pay? The answer was yes, and that's how the market went. In a digital era, there could be a client who does 100% digital, and there could be someone who does 85%, but I don't think we have any 80% digital client.

So, the kind of work, the amount of work more or less is converging, and therefore, parity becomes an argument from their side and parity in a size cluster. So, if you are in a size cluster of the top 5, the next 5, the next 5, the next 5 and the tail beyond that, do we look similar is a requirement. You guys also have access to scheme accounts.

So, you can take a look yourself. But from our side, I think one thing that we have done now is that anything which can look like a wrinkle in that principle largely does not exist. You can also take a look once these scheme accounts come out. So, I think that's one large objective that we have achieved.

And we've also made sure that in some of these new clients, you may have seen one logo that we had won, let's say, at a price of 100 the competitor offered INR80 and then walked away saying you don't want to cut. 3 months later, the same guy goes back and sells at INR60. And we've said we'll let them go. We said we'll let them go. We will not talk about repricing, et cetera, with someone we've not even started business with. So, I think that principle, we've been able to establish and underwrite quite well.

**Ram Charan:**

On the AIF, Dipanjan, actually, if you look at the core AIF business, I think they have grown pretty well on a year-on-year basis, I think they have grown if you take away the multiple size of things only from including GIFT City. They were actually, I was just looking at the numbers once you asked the question, they were actually around INR840 lakhs per quarter in the last, I think the year, they have now come up to around INR970.

So pretty okay, meaning it's not going to be a 50% growth business. I think that we have been very clear with you also. I think a 12% to 15% growth business is what we see the AIF to be and upside coming in terms of GIFT City. I think it's played out that way.

We'll continue to see that it's a 15% growth business. It's still a 15% growth business. And if GIFT City does ramp up significantly, then that could go closer to 20%. But otherwise, we feel that it's probably largely in line. And it's a highly competitive industry, but we still maintain our leadership position getting 50% plus market share and the AuM has also grown reasonably okay.

**Dipanjan Ghosh:**

No, sure, Ram. Just one small follow-up. I appreciate on the AIF part; it was lower in the last quarter base. But if you look at from 2Q onwards, which is last 4 quarters, it has been around that INR9.5 crores to INR10 crores. So in case you were to get to, let's say, 15%, 16% growth on last year's base, you probably have to kind of scale up the current run rate by at least 10%, 12% over the next few quarters. So, is that visibility kind of out there for you guys?

**Ram Charan:**

Absolutely. We are winning a lot of new logos. I think we've also have a lot of logos from GIFT City perspective. We are also getting more into fund accounting. So, I think we are confident of getting this over a period, 15% growth over a period of year. I think on a quarter-on-quarter, I



think it could be 10%, 11%, 12%, that's okay. But on a year-on-year basis, I think we are confident of getting to the 15% growth.

I think new logos that we are winning are for full service, as Anuj was mentioning. And the pricing is largely, well, it is not what it used to be 2 years back for sure. But I think we are getting a reasonably stable pricing for at least compared to what it was in the initial stages. So, I think 15% growth is something that we aspire for. I think we have an ability to get that.

**Moderator:** The next question is from the line of Sabil Dabhoya from Unifi Capital Private Limited.

**Sabil Dabhoya:** Congratulations on a resilient set of numbers. Sir just had one question first on the yield part, sir. So, in the last quarter, we had given a guidance of 6% to 7% Y-o-Y decline from 4Q FY '25 end yields, and this has been now sort of revised to about 8% to 9%. So, is my understanding correct?

**Ram Charan:** So, I think what I had indicated in the last earnings call, if I remember right, was, yes, it was around, I think on a year-on-year basis, you will see a 7% decline in yields. I think it will be a little higher than that. It could be 8%. But again, this is an estimation of what happens in the remaining 3 quarters. So, I think the range is broadly okay.

**Sabil Dabhoya:** Okay. Okay, sir. And sir, just another question was on the MF non-asset-based revenue. Sir, just if you could highlight anything unusual that happened this quarter?

**Ram Charan:** So, 2 things, actually, 3 things. Number one is the NFO revenue is significantly down compared to the last quarter, and that's something that we have lived with, there are more NFOs in the next quarter, we do get additional revenues. The second part of it is OP expenses. And we've always said that OP is more an accounting thing, which is that you have to show it as you build the customer, you show it as revenue and then you show it as an expense also.

That's come down significantly, largely because of the lesser mail traffic and some special audits that we did on behalf of AMCs last quarter and some bulk purchases we did for their stationery, et cetera. All of it has come. So actually, the OP has come down on a sequential basis more than INR2 crores, but that's something that should not worry, doesn't worry us or anybody because there's a corresponding reduction in the expense also. It's not a margin accretive business.

There is some amount of, when you say price reduction of the AMC, there is some amount of impact of price reduction on the transaction fee also. But overall, the transaction fee has remained broadly stable. There has been some reduction in OP and NFO fees, et cetera, which has kind of caused this blip in quarter-to-quarter number.

But there's nothing exceptional that you need to know. This OP is something that entirely driven by the spend pattern of the particular quarter and depending on campaigns that AMCs are running, depending on audits that we need to do, which are reimbursed by the clients, et cetera, or some of the stationary expenses. So that's predominantly causing this difference. It is a INR2.5 crores of reduction quarter-on-quarter is only because of OP.

- Moderator:** The next question is from the line of Sanketh Godha from Avendus Spark.
- Sanketh Godha:** If I understood it right, you are at 2.16 bps yield today. So, every quarter for the full year, it is 3.5%. Is it fair to say that 2.16% yield will see maybe every quarter kind of 1% depletion to arrive at full year of 3% to 4%. Is that a fair assumption?
- Ram Charan:** Yes. I think the next quarter could be a little higher, as we said. But post that, I think that could be. We are actually in my computation around plus transaction around 2.25 bps and only on AUM around 2.13, 2.14%. We would expect at least 0.03 or something decline coming in the next quarter. But yes, overall, I think your assumption is valid.
- Sanketh Godha:** Got it. Perfect. And my second question is with respect to payment business. See, if you can break up that payment business into MF and non-MF, point number one. And second, given insurance played a role to drive the growth, now you are getting into the cards as a payment gateway. And given it is highly competitive, how do you see it to play out, whether we predominantly MF and maybe insurance a bit? Or you think we will make meaningful inroads in cards with respect to payment.
- Ram Charan:** So we have, as you know, the history historically, it's been entirely MF, but over the last few years, we have diversified successfully. My current recollection is it's around 50% plus MF and 45% to 50% on non-mutual fund is the split up of the revenue. I don't get the exact number across to you, but it's broadly these numbers, especially given that we have signed new insurance companies, this is trending upwards from insurance companies or from a few education institutions that we have signed on.
- The focus, Sanket, is to diversify and to get non-mutual fund related business in. And I think the cards is one of the attempts that and we have got live. Cards, I think the possibilities are huge, especially from, if you're going to do from an insurance perspective for premium, we have traditionally stayed out of cards because of mutual fund that was not very relevant credit cards. But now we have got into it.
- We've got our own payment gateway set up, integrated with Master, Visa, RuPay. And then we have started operations. We have done a lakh of transactions already in the last quarter. So, I think the cards will grow in the current quarters. I think we are on track to make this 60% non-mutual fund and 40% mutual fund as we go forward, probably in the 12 to 15 months from now. The margins could be something that we will watch out for because card transactions margins are a little lesser than what we used to in the ACH module.
- But I think overall perspective, we are confident of maintaining the 15-plus percentage margins as well as growing this business. The current, last year, we ended around INR50 crores. So, our internal target is to get it around INR70 crores in the current quarter. And I think we have enough tools in our hand to take it to that level.
- Sanketh Godha:** Got it. Sir, is it fair to say that 25% growth what you are seeing in non-MF business, the heavy lifting probably will be done by the Payment Business.

- Ram Charan:** It is true that payment will contribute a lot to it, but I think insurance will also grow well, and we'll have to see whether the account aggregator and the think analytics also keeps pace. But yes, it is true that a lot of it is on these 2; insurance growing and payments growing and KRA is staying stable.
- Sanketh Godha:** Got it. Got it. And probably the last one. Think360 has seen a bit of revival and Anuj alluded to that point in the call initially. So, this INR4.5 crores, INR4.6 crores run rate, what we are looking at 1Q for Think360 and will it hold up in subsequent quarters? And second, just on an absolute basis, any additional revenue coming in Think360 is EBITDA accretive or not or it comes at a cost?
- Ram Charan:** Sorry, what was the second question, Sanketh?
- Sanketh Godha:** I revenue coming from... Additional revenue what you it will add up to...
- Ram Charan:** I think we are at a stage where we are close to breakeven Think Analytics. I think the INR4.5 crores run rate that you are seeing will sustain, and we are hoping that it will improve in the course of the year. One of the reasons why we see the non-mutual fund margins will increase going forward is that a couple of the businesses, which is insurance as well as Think Analytics in the course of the year will turn profitable, right?
- Definitely be breakeven, but hopefully, we will also turn profitable. The run rate will sustain and probably there could be a small upside to it. And incremental revenue, I think the run rate is, if you get to a around INR5-odd crores a quarter, we start making money from Think Analytics. So, I think that will happen in the course of the year.
- Moderator:** Ladies and gentlemen, we'll take this as the last question for today. I would now like to hand the conference over to Mr. Ram Charan sir for closing comments.
- Ram Charan:** And thank you to all the participants for their continued interest in CAMS and for the questions that were asked. Please do reach out to MUFG or to Anish Sawlani in case you have any questions, and we'll be happy to address those. Thank you once again for your time.
- Moderator:** Thank you. On behalf of Computer Age Management Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.