

Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENTS

CAMS is one of the three Qualified Registrar and Transfer Agents (“QRTAs”) and the Company extend services to Mutual Funds and Alternative Investment Funds (“AIFs”). It has extensive branch network, technological capability and deep knowledge of the market help the AMCs service their investors efficiently and focus on their core business function. The economies of scale developed by RTAs along with their asset light business model have helped them to enhance offerings to multiple stakeholders at minimal extra costs, leading to stable revenue growth and high EBITDA margins.

REGISTRAR AND TRANSFER AGENTS (“RTAs”)

Registrar and transfer agents are agencies that record and maintain a complete record of transaction of investors for the benefit of mutual fund houses or listed entities. Computer Age Management Systems (“CAMS”), is responsible for the various activities such as:

Registrar to the New Fund Offers (NFO) for mutual funds – The registrar to an issue is responsible for collection of applications from investors with respect to an issue, proper maintenance of applications and assisting the corporate body in terms of determining the basis of allotment of securities, finalizing the list of persons entitled to allotment of securities, processing and dispatching allotment letters and executing other related documents in respect of the issue.

Transfer Agent for Mutual Funds – The Transfer Agent act as a mediator or agent between investors and asset management companies (“AMCs”) and generate various statements such as portfolio valuation statements, transaction details of a folio and KYC verification of investors and is critical for functioning of other market intermediaries as well.

An investor can place all types of Financial and Non-Financial transaction requests with an RTA:

A. Global review

The Registrar and Transfer Agency serves the Mutual Fund Industry and mirrors the performance of the Mutual Fund Industry. Mutual funds are investment vehicles that are pooling many investors’ money together to invest in financial markets in accordance with the objectives specified by the fund. The advantages of investing money through mutual funds are, among others, entrusting the savings to professional fund managers, to diversify the assets, to have lower costs than in case of direct investments, and to have access to global financial

instruments and markets. An increasingly important role is being played by mutual funds in financial markets. The asset management industry has emerged from the global pandemic in a position of strength, with assets registering significant growth. Both the Retail portfolios and institutional investments have registered growth. Retail investors were the main driver of net inflow.

B. Industry review

The mutual fund industry has been in the country since 1963 with the formation of Unit Trust of India. The industry was opened to Private Sector in the year 1993 with the introduction of the first formal mutual fund regulations, namely, the Securities and Exchange Board of India (Mutual Fund) Regulations, 1993. The regulations for the Space, viz. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 were also issued in the same year.

The RTA industry is dominated by three Qualified Registrar and Transfer Agents who have been designated as such by SEBI based on the number of folios handled by the RTA. CAMS has been the largest Registrar and Transfer Agent for the mutual funds with an aggregate mutual fund share approximately 69% based on Mutual fund AAUM. It has retained its leadership position right from its initial years and has growth the AAUM from approximately 61% during March 2015 to the present 69% in March 2022. CAMS serves all top five mutual funds as well as ten of the fifteen largest mutual funds based on AAUM.

The Mutual Fund Industry is expected to sustain double-digit growth driven by the enhanced growth in corporate earnings, Higher disposable income and investable household surplus and the initiatives by the industry body to enhance the perception of the mutual funds as a long-term wealth creator. This growth will be replicated in the performance of the RTA industry which is a proxy for the MF industry.

DEVELOPMENTS/ OVERALL SCENARIO DURING THE YEAR

FY 2021-22 started in a manner very similar to the previous FY. The second wave of the pandemic accelerated across the country. A spurt of cases ensued in many states including Tamil Nadu and entire families got affected by the virus. Even

as the country scrambled to drive vaccination, various forms of restrictions were imposed initially, and later continuous lockdowns were placed across cities and states by local authorities.

Despite the force and pace of the pandemic spread, CAMS was able to provide services to its clients with very little compromise or scale-back. The work from home was ramped up to 75% with select team members working from office and being accommodated in hotels next to its offices.

BUSINESS ENVIRONMENT

CAMS continued investment in technology across its offerings and IT infra for improving its operational performance and provide a superior experience to investors and distributors has helped in catalysing growth of Mutual Funds. These investments in digital particularly have come in handy during the initial Covid-19 pandemic and the following second wave as physical transactions came to a standstill for a while.

After the second wave of the pandemic started subsiding, there has been month-on-month increase in volumes of MF transactions.

SEGMENT WISE PERFORMANCE AND OUTLOOK

MF Operations:

SIP new registrations also continued the unabated during the year and CAMS serviced Funds clocked 158 lacs new SIPs registered during the year. AUM growth story saw an upswing particularly with Equity AUM registering a lifetime high of ₹ 11.96 trillion and overall AUM of ₹ 26 trillion. There were several landmark NFOs launched during the year, and almost each posted excellent results in terms of consumer acceptance and mobilization numbers.

The largest amongst these NFOs accumulated over ₹ 14,000 crore and was executed by the Company for one of the clients. There has been substantial uptick in transaction volumes. The increased investor interest in the capital market and the significant increase in the SIP inflows bodes well for the industry.

Other Businesses:

CAMS Insurance Business - Post Covid, the insurance industry, which mainly depends on in-person interaction, has adopted more digital ways of selling products and services in the past one year amid the pandemic. This Company is serving leading insurance Companies, which include Life, Health, and General insurance companies. It has also launched industry first "PolicyGenie Deep Contact Tracing product", an efficient and cost-effective solution leveraging emerging digital technologies.

CAMS Insurance Repository Business opens e-Insurance Accounts for the insured, primarily in life insurance segment and is expanding its reach to the non-life & General Insurance segment as well. In the technology enabled processing service, it expanded service scope in the persistency business while the Insurance Repository maintained its growth trajectory and has more than 4.08 digital policies, aided by our social media presence and new digital communication strategy. Despite the major disruption due to Covid, the Company took care of its clients, and this was reflected in Client Experience Index moving to an unprecedented high of 85 (from 77 of the prior year). This is translating into more business for CAMSRep, especially in persistency and digital B2C services.

CAMS Payment business (CAMSPAY) - The business which was hitherto unregulated has become a regulated business with effect from September 17, 2021. The Company has made an application on February 05, 2021 for being registered as a Payment Aggregator and is awaiting further communication from RBI in this regard. CAMSPay Transactions touched a historic new peak of 10Mn+ transactions per month (ACH+ Digital combined) during the year in July 2021. IMPS penny drop solution and the account validation services continue to clip at a good rate of growth, we have also augmented this with a stronger authentication solution using the UPI Account validation methodology without a penny drop and this has caught the interest of the MF and Insurance sectors. CAMSPay is a pioneer in offering this new service to the BFSI sector, in partnership with one of the Banks and is now signing up additional Bank partners.

CAMS Account Aggregator business - CAMS Financial Information Services Private Limited ("CAMS FIS"), a wholly owned subsidiary of the Company received the certificate of registration from the Reserve Bank of India (RBI) as a "Non-Banking Finance Company – Account Aggregator" last year. During the year, the Company took steps to reach the stage of product readiness and finalised the go-to-market strategy. The Company has started signing up with Banks as Financial Information Providers and focussed on signing up with FIUs for signing-up. With the FIU solution going live it is expected that there will be further momentum on customer acquisition in the coming year. Insurance companies are also keen to on-board the AA platform for better under-writing and the Company is looking at exploring these opportunities. Wealth Management is a large opportunity where our traditional strength can be leveraged to capture significant market share. While industry is awaiting SEBI guidelines for capital market participants to on-board themselves as an FIP, we are already in talks with several players to be ready with the potential offering design. We continue to leverage on our brand name, trust, security (demonstrated by high

BITSIGHT score) and unblemished track record in the BFSI sector to differentiate ourselves in the market. An Android app has been launched which has been well-received in the market, making it the most downloaded AA app on the android platform.

CAMS KRA business - CAMS Investor Services Private Limited ('CAMS KRA'), a wholly owned subsidiary of the Company which is registered with Securities and Exchange Board of India as a KYC Registration Agency and is licensed for implementation of SEBI's vision of a harmonized KYC process.

Company launched eKYC using OTP based Aadhaar verification to on-board new mutual fund investors. In compliance with the regulation, CAMS has developed the solution that will enable new investors to complete the KYC process digitally with OTP based Aadhaar Authentication without any hassles. The new OTP based Aadhaar verification is an extremely simple method as compared to the erstwhile Aadhaar XML based verification.

PRODUCT DEVELOPMENT AND DIGITAL OFFERINGS

The Company is providing services and is not engaged in any product development. However, as part of its value offerings the Company is developing various digital products/applications which enable the investors (who are the ultimate customers) to experience efficient and effective methods for investments. The Company continues to focus on its digital strategies with a slew of digital properties made available to the market to manage the lockdown situation. These digital properties continued to do well, set new milestones and the Company is now successfully engaging clients with white-labelled formats of these utilities so that the clients' digital teams engage with us more deeply.

New Digital offerings:

MF central was launched by CAMS and KFinTech, a digital solution aimed at enhancing customer service in the Mutual Fund industry. MF Central aims to bring ease, convenience, and speed to investors' investment management experience across all the Mutual Funds.

CAMServ was revamped during the year to have a clutter free/enhanced experience offering new financial transactions like Switch, SIP, STP/SWP along with lumpsum & redemption for investor.

CAMS WealthServ, the digital onboarding platform for AIF and PMS investors, has been very well received by the

Alternatives Industry. CAMS will continue to augment the product features and partnerships with custodians which will significantly strengthen the market position for the product.

Other digital platforms in operation

Market leading platforms developed by the Company namely **myCAMS** and **GoCORP** continues to scale new heights and the newest platform for distributors, **edge360**, is seeing rapid adoption and growing loyalty. The unique **digiInvest** platform saw expanded usage by AMC's and distributors alongside the white-labelled chatbot implemented across several AMC websites.

myCAMS for individual investors and **GoCORP** for institutional investors continue to offer differentiated value adding services. Both are market-leading platforms - GoCORP services over ₹ 2.34 trillion and myCAMS over ₹ 5.56 trillion of AUM as at December 31, 2021, representing 30% of the CAMS serviced Funds' AUM.

The digital products of the **edge360** digital platform for distributors and advisors is recording steady adoption and usage despite gradual opening of front offices across many locations as the lockdown restrictions were gradually eased. Extensive marketing efforts and webinars helped in new registrations gaining momentum taking the overall registrations to over 52,000 as on March 31, 2022.

CAMServ chatbot launched on CAMS website and offered as a white labelled service on six AMC websites has been expanded to social portals of WhatsApp. Over 27,000 successful transactions were processed every month during the year. **Chatbot** is a customized, white-labelled service as there is an increased preference over traditional service channels, which is a testimony to its ease of usage. For few of the clients, we have built a distributor based chatbot, where distributors can generate transaction links for their investors and send it to investors for completing the transaction.

digiInvest/ digiNFO which enables transactions via SMS link is seeing increased usage among intermediaries. NFO investments with a short hold into Debt/Liquid schemes during NFO period is the latest addition on the platform. In the due course of the FY there were 20,000 lumpsum transactions with an average value of ₹ 92,000 per purchase & 16,000 SIP transactions with an average instalment value of ₹ 3000 that were conducted through this platform. Switch transaction links that can be generated directly by distributors and AMC's have been enabled.

digiLoan against MF units is a product developed for Banks and NBFCs for digital loan against mutual funds facility. This facility enables the Bank/NBFC's customers to get a loan by pledging their debt and/or equity mutual funds in a completely paper-less, digital process. This product continues to get increased attention from various Banks and NBFCs.

Technology Solution Provider (TSP) services for Account Aggregator Industry

Sterling Software Private Limited, a wholly owned subsidiary of the Company has commenced providing services as a TSP-for-AA business as well. The solution is now ready and has been made available to the clients. TSP takes care of implementation of digital signature and encryption, which might be a "self-build" for a large entity but certainly a "buy" decision for medium and smaller ones. Our recent client wins and on-going discussions with large players validates our belief that even the larger players will consider ready-made TSP solutions rather than build them in-house. This makes the Company to be more confident of its increased business opportunities.

eKYC using OTP based Aadhaar verification to on-board new mutual fund investors launched in the previous year continues to get increased acceptance. This solution enables new investors to complete the KYC process digitally with OTP based Aadhaar Authentication without any hassles. This OTP based Aadhaar verification is an extremely simple method as compared to the erstwhile Aadhaar XML based verification.

The Company's operations as a Central Recordkeeping Agency ("CRA") was launched in the month of March 2022. CAMS CRA is the first CRA in the country to be fully deployed and hosted on the cloud. It has received positive response from the market and has enrolled more than 2000 subscribers as on date.

We have received guidance from PFRDA regulation department that CAMS should operationalise all segments of NPS including Direct to Corporate and APY on or before September 30, 2022. Given the dependence on intermediaries and external entities like Banks, PFMs & CRAs, and compounded by the ongoing pandemic wave, we foresee some uncertainty in adhering to these dates for APY alone. We shall continue to closely work with the regulator, like we have done thus far, in enabling the NPS system through CAMS CRA. Our next quarterly meeting with the Chairman PFRDA is due now.

OPPORTUNITIES AND THREATS

The Company has won the mandate of Zerodha AMC, which is a clear endorsement of the CAMS brand salience and superior technology aligned with client business model making the Company their service partner of choice. There have been significant wins in the alternative segments, products such as Loan Against Mutual Funds ("LAMF") and Recon Dynamix. Account Aggregator platform and the service of offering Technology Solution Providing for the AA industry have become operational. The Company became the third Central Record Keeping Agency for the National Pension System. It launched its cloud-based Central Record-Keeping Agency under NPS to extend the service to subscribers and the overall ecosystem. These are considered as significant opportunities and the Company's domain expertise acquired over a three decades of being the industry partner, established processes, technology-driven infrastructure, and marquee clients, will enable the Company to capitalise on the growth in these new businesses.

THREATS

The Company has a documented policy for managing the risks/threats likely to be faced by it. With the growing prominence of technology in all our activities, cyber security is of paramount importance to us. We ensure that Cyber Security controls and practices are embedded into the business process. Enhanced cyber security practices & effective governance have resulted in matured cyber security frameworks. The IT practices are reviewed and audited regularly by independent agencies. Our systems are subject to intense scrutiny and validations in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats. The Company's Bitsight score is at 800 which is one of the best in the BFSI Sector.

The Company's revenue is highly concentrated on Mutual Fund industry and few clients. The competition among the clients and the regulatory restrictions are likely to drive down total expense ratios, which in turn would drive down the fees that are paid by the clients to the Company.

The Company is taking all steps to ensure that we follow all applicable laws and regulations applicable to the Company. Any failure in detecting errors in our statutory records or errors or omissions in our business operations could expose us to potential losses.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has an adequate internal controls system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines, and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency. All the records are adequately maintained for preparation of financial statements and other financial information. Apart from internal controls, the Company also audits the efficiency and security of its operations, its information technologies, and data, in accordance with the global standards.

The Company conducts periodic internal audits in line with an audit plan that is drawn at the beginning of the year, which is approved by the Audit Committee. The scope of the exercise includes ensuring adequacy of internal control systems, adherence to management policies and compliance with the laws and regulations of the country. The Company's ERP system has appropriate controls embedded in its processes and systems which has been strengthened from time to time.

Internal audit reports are placed before the Audit Committee of the Board of Directors, which reviews the adequacy and effectiveness of the internal control systems and suggests improvements for strengthening them.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This discussion on Financial Analysis is for consolidated financials of the Company during FY 2021-22. The Company is a technology-driven financial infrastructure and service provider to mutual funds and other financial institutions. The FY 2021-22 numbers are shown on comparable basis for all statement of Profit and Loss and Balance Sheet items discussed below.

Highlights of the financial year:

- During FY 2021-22, the consolidated revenue from operations of the Company was at ₹ 90,967 lacs as against ₹ 70,550 lacs in the previous year.
- The Profit Before Tax was ₹ 38,265 lacs as against the previous year PBT of ₹ 27,445 lacs.
- The Earnings Per Share was ₹ 58.73 as against the previous year which was at ₹ 42.08 per share.
- The Company continues to be debt free.

KEY FINANCIAL RATIOS

- (i) Details of significant changes (i.e., change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, have been provided as part of the Notes to the consolidated Accounts (Note No. 42). Additional Ratios are provided below:

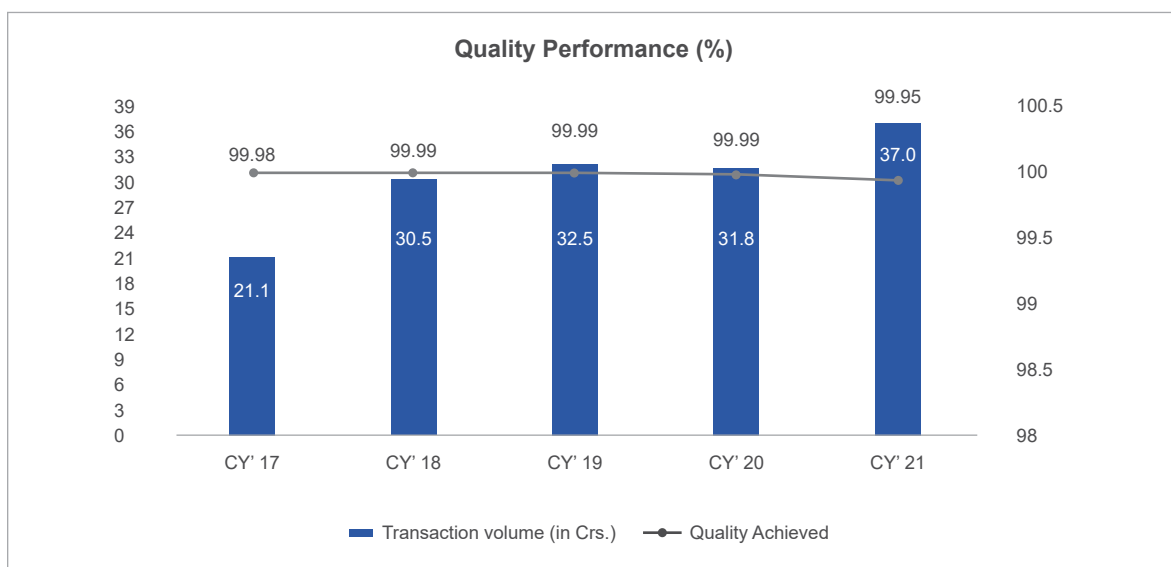
Ratio	2020-21	2021-22	Variation and reason for the same
Debtors Turnover (No of days)	9.07	13.55	Improved collections from clients
Current Ratio	5.20	4.46	
Operating Profit Margin	37.43%	34.59%	
Net Profit Margin	30.96%	27.62%	
change in Return on Net Worth	44.31%	39.80%	

Since the Company is engaged in IT enabled services, the inventory ratios are not relevant. Also since there are no borrowings, interest coverage ratio and debt equity ratio are not relevant.

OPERATIONAL EXCELLENCE

During the year, CAMS has proved to be a leader once again in delivering quality service in the MF industry for all mode of transactions like Physical, Electronic & Digital, despite the Pandemic glitches. CAMS has progressively extended its services and delivered all critical regulatory and year-end reconciliations along with business-as-usual activities involving processing of financial transactions from day one of the pandemic situation.

In order to have continuous improvement, CAMS has made significant efforts in maintaining overall quality performance and therefore accuracy levels of 99.95% in financial transaction processing was delivered in calendar year 2021 despite the realisation based NAV introduction irrespective of value for purchase transactions, increasing complexities in the processes led by various regulatory / product related changes, fluctuating & increasing transaction volumes, new client migration, stringent timelines for deliverables and heightened stakeholder demands.



RISKS AND CONCERNS

The Company recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. The Company has a Board level Risk Management Committee in addition to an internal Risk Management Committee, which monitors the risk related matters of the Company. A Board approved Risk Management Policy defines the Risk Management framework to identify assess and manage potential risks and opportunities. This policy provides for detailed key tasks to identify, assess, manage, monitor, and report key risk areas across the group. The identified risks of the Company are as below:

Operational Risk

The Company faces risks in its operations for any error or omission that could lead to significant monetary and reputational losses. The Company has identified the key areas where such risks could exist and taken proactive steps for carrying out process automation and tighter adherence to the established processes.

Risks relating to Business Continuity Plan (“BCP”)

In view of the nature of operations, the Company is required to ensure a Business Continuity Plan, which will enable it to provide services on a continued basis even under unforeseen events. The risks of failure to ensure BCP is one of the identified risks. To mitigate the same the Company, conduct full-scope half-yearly BCP drill using the infrastructure of the BCP location (FAR DR. During last year, one Unannounced BCP in February 2021 and during Business Hours in October 2021 was conducted successfully.

Regulatory Risk

The Company is a Qualified Registrar and Transfer Agent (“QRTA”) and is subjected to audits from the Regulator. Non-compliance of any regulations could result in observations in the SEBI Audits and can expose the Company to warnings and penalties. This can also result in possible fines. To reduce the audit observation, there exist a process of identification of outliers on real-time basis for the known observation primarily, which are getting remediated on immediate basis. This process is automated with workflow enabled model, such that Audit Observations on critical areas would be avoided.

Compliance Risk

The Company is required to comply with a host of regulations as part of its compliance activities. Any default could result in fines and penalties. For addressing the same, the Company has an extensive system for monitoring compliances with individual functional heads tasked with specific areas. Extensive support from external experts has been taken for all areas and these experts have been retained on a regular basis. Multiple audits are carried out for ensuring these compliances and are reported to the Audit Committee/ Board at its Meetings. Audit/other related mitigating avenues have been identified and implemented.

Technology Risk

Inability to meet the demands of the Clients or adapt to latest technological changes might affect the Company’s business, as our success depends upon the development of technology platforms and applications to conduct our business. In this regard, steps are being initiated for ensuring adoption of the latest technology and for meeting the requirements of the clients.

Information Security Risk

As the Company deals with large amount of data, the Information Security risk is one of the identified risks. The Company has an extensive Information Security Management System (“ISMS”) which is headed by a Chief Information Security Officer and has a well-established ISMS policy. The Company’s systems are being periodically audited by external agencies. Bit Sight, an agency which monitors level of the information security has rated the Company very high at a score of 800. This is a market-leading score and vindicates the robust security posture.

People Risk

Dependency on Key Managerial Personnel and Senior Management is considered as a risk and the loss of any key person and or inability to attract new talents, reliance on third party service providers in several areas of operations and our inability to have full control over their services would affect the Company’s business. Towards mitigating these risks, all the managerial positions have been filled with very few open positions and retention of KMP through ESOPs and Incentive Programs has been initiated and action to create future Leaders through training, skill certification and workshops have been initiated.

Revenue Concentration

Significant part of the revenue is concentrated from MF Business. Within MF the revenue is concentrated within a group of top clients. Towards this risk, the Company is focussing on enhancing the non-MF revenue. The Company perceives as high growth opportunities like, Insurance Repository, CAMSPay (payment aggregator business) and services to AIF clients. In addition, the Company has also been appointed as CRA (Central Recordkeeping Agency) for Pension Funds and added Account Aggregator business to broad base the revenue generation sources. Leveraging competencies acquired through Mutual Fund services business, Company has launched products like Recon Dynamix, Loan against Mutual Funds (LAMF), etc. Irrespective of this additional business, the Mutual Fund services business is likely to remain the dominant business in the near to medium period.

Contractual Risk

The Company has entered contractual agreements with various clients, which may contain liability clauses which might adversely affect our business, on the occurrence of certain events like employee fraud or misconduct or errors and omissions in the operations. The Company has extensive insurance coverage for addressing such liabilities. However, the insurance cover may not be adequate to fully compensate the loss.

INSURANCE

The Company has taken appropriate insurance policies which cover our operations and protects it from unexpected exigencies. The policy coverage extends to losses/liabilities arising out of errors and omissions, cyber-attacks, Third party crime. Appropriate policy for protecting the Directors and Officers of the Company has also been taken.

HUMAN RESOURCES

Employee attraction, development and retention are key priorities of CAMS. We believe engaged employees contribute to higher level of engagement with clients and investors resulting in profitability and growth. Hence making CAMS a great place to work is always our endeavour. Our People strategy has been to develop a culture of learning & growth, building leadership capability to manage growth and to bring out the best in our employees through creating an environment of agility and transformation. We had created several talent pools through academia collaboration to meet our specialised skill requirements. The Company has a robust training and development framework to enable certification in the MF Domain. Fostering innovation and automation through differentiated and high impact recognition programs has been a hall mark of our people excellence practices. Our risk awareness and mitigation programs had heightened our compliance posture. Several engagement programs have helped maintain a participative work environment.

The deep domain knowledge of employees has helped us establish our business leadership and market share. Our employees collaborate with precision and synchronization to enable CAMS to be a market influencer for competitive advantage and to keep in tune with demands of the market. CAMS invests in building a diverse and inclusive environment for our employees. These employees enable the Company to reach out to investors of the Mutual Funds across the country. The Company’s career development initiatives range from up-skilling using structured in-house programs, specialist certifications to sponsorship of courses at premium management institutions. We assist our employees in creating their individual development plans and facilitate growth through job rotations, internal hiring, and promotions.

During the Pandemic, through our Work from Home and Hybrid models, we saw the commitment and team work to ensure that clients’ requirements were fully met. Our Secure Your health well-being program was focussed on ensuring physical and emotional wellbeing of our employees supporting them extensively especially during the pandemic.

We continue to uphold high standards of governance with respect to all statutory compliance and regulatory

requirements. We have several avenues for our employees to voice their opinion in a safe and conducive environment. Managers engage in meaningful dialogues and coach employees to enhance their performance.

SAFE AND HEALTHY ENVIRONMENT

The operations of the Company do not involve any manufacturing and the employees of the Company work from office premises only. During the pandemic period, work from home was enabled and appropriate precautions

were taken for those working from office considering safety of the employees. The Company strives to maintain the highest safety standards and periodic fire drills are carried out at various premises. First aid training is given to group of employees to handle any eventuality. Feedback from employees is regularly obtained on various health and safety considerations. The offices with significant number of employees have either an in-house medical centre or tie up with leading hospitals for providing treatment in case of medical exigencies.