

Management Discussion and Analysis

A. INTRODUCTION

The Registrar and Transfer Agency (RTA) business serves the Mutual Fund (MF) Industry. Mutual Funds are investment vehicles that pool the money of several investors' to invest in the 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, diversifying the assets, and having access to global financial instruments and markets.

The asset management industry has emerged stronger from the global pandemic with the markets registering a broad-based recovery, led by increased private consumption and improvement in retail and institutional investment activity. During the year, retail investors remained the key driver of net inflow into equities.

The RTA industry broadly mirrors the performance of the MF Industry.

B. INDUSTRY OVERVIEW

The Indian mutual fund industry came into being in 1963, with the formation of Unit Trust of India. Three decades later, in the year 1993, the industry was opened to private sector, 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 RTA industry, 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's are regulated by the Securities and Exchange Board of India (SEBI) which issues them the Certificate of Registration to operate. RTA's serving more than 2 crore folios are designated as Qualified Registrar and Transfer Agent (QRTA) by SEBI and fall under the purview of enhanced governance mechanism.

The Indian mutual fund industry is dominated by three QRTAs, Computer Age Management Services Limited (CAMS), being a prominent one amongst them. The Company enjoys an aggregate mutual fund share of approximately 68%, based on Quarterly AAUM, as compared to 56% in March 2010. We have retained our leadership position right from our initial years and have been consistently growing since then.

DEVELOPMENTS/ OVERALL SCENARIO DURING THE YEAR

FY 2022-23 was generally robust for the mutual fund Industry, with significant growth in key metrics - transactions, Assets under Management (AUM) & SIPs – both in count & collections. New products and offerings were also launched across the board in the form of flexicap funds, multicap funds, FoFs, ETFs, and index funds.

During the year, the impact of various macroeconomic events like the Russia-Ukraine war, high inflation, increased commodity prices, crypto currency crash, and reports of China Covid-19 surge had a negative impact on the capital markets. However, considering the mutual fund industry's focus on a strong regulatory framework, digitalisation of investment modes, enhanced growth in corporate earnings, higher disposable income, and investable household surplus, it appeared to be on a strong footing. This gives us a compelling reason to believe that the products and services offered by the industry would see rapid uptick in the coming years.

BUSINESS ENVIRONMENT

At CAMS, we continue to invest in technology across our offerings and in IT infra for improving our operational performance. This enables us to provide superior experience to our investors and distributors on a continual basis.

The MF industry touched new highs, with the AUM crossing ₹ 40 lakhs crore during the year, and closing at a record ₹ 39.4 lakhs crore as on March 31, 2023. The number of folios also followed suite and registered a record high of 5.7 crore at the end of the year.

The Systematic Investment Plan (SIP) accounts were at a record 6.4 crore as on March 31, 2023. Backed by digitalisation, SIP continues to be a popular investment mode, with the inflows resulting in significant market expansion. Though the recent changes in taxability of long term capital gain may impact the attractiveness of debt funds, other factors like liquidity, diversification, and professional management are expected to play a critical role in sustaining growth in this segment. The growth in mutual fund industry is expected to be replicated by the RTA's.

SEGMENT WISE PERFORMANCE AND OUTLOOK MF Operations

The launch of NFO's picked up good momentum during the year. The majority of NFO's were for equity funds in terms of valuation.

CAMS retained its market leadership, with 68.2% average quarterly AAUM as on March 31, 2023. The live folios serviced on the same date stood at 57.4 million as compared to 51.6 million in the previous year. The SIP book also continued to be on an upswing with 35.4 million active SIPs recorded as on March 31, 2023, against 29.9 million as on March 31, 2022.

Other Businesses

CAMS Insurance Repository - CAMS Insurance Repository Services Limited (CAMSRRep), a wholly owned subsidiary of CAMS, intensified its business development efforts to highlight its offerings as an Insurance Repository and its digital services for life insurance clients and general insurers. An increasing number of insurance companies have started subscribing for the digital services offered by the Company, which will enable their policy holders to avail the benefits of digitalization.

The insurance companies have also shared data for unclaimed policies for deep contact tracing, a specialised service launched by us in the previous year. The service enables them to locate policy holders who have stopped paying their premium and are entitled to claim certain refunds/benefits.

Insurance Repository services have also gained momentum. New insurers have been activated and volume penetration has improved with more insurance policies being converted into electronic form. The Company has also expanded its outsourcing services and has received a contract from a large life insurance company for policy servicing.

Insurance Regulatory and Development Authority of India (IRDAI), the regulator for insurance sector, has made Know your Customer (KYC) process mandatory for the issuance of any insurance policy including Health Insurance, General Insurance, and Life Insurance, with effect from November 1, 2022. This paves the way for non-life policies to be brought under the ambit of electronic insurance, which in absence of KYC mandate was not possible.

CAMSRRep has utilised this opportunity to develop a KYC service to help the non-life insurers to comply with the changes in regulations. This should facilitate the subsequent on-boarding of policyholders to electronic Insurance Account (eIA) and expand our serviceable market beyond life insurers.

CAMS Pay – The Payment Aggregation business carried by CAMS became a regulated business with effect from September 17, 2021. Subsequently, we made an application to the Reserve Bank of India and have been issued the in-principle approval as a Payment Aggregator on February 14, 2023.

CAMSPay is introducing more new age payment methods like UPI AutoPay, Paybylink, and other mobile applications for seamless recurring and QR based payments. It has also embarked on a journey to explore the existing accounts to cross sell and up sell our new offerings, with the objective to create an additional avenue to further our revenue growth.

CAMS Account Aggregator - CAMS Financial Information Services Private Limited ('CAMS FIS'), a wholly owned subsidiary of CAMS, has been issued with the Certificate of Registration by the Reserve Bank of India as a Non-Banking Financial Company to function as an Account Aggregator ('AA'). The AA environment uses technology for simple and secure exchange of data between financial institutions like banks, insurance agencies or mutual fund companies with the consent of the customer.

During the year, the service became available for the industry and our go-to-market strategy was implemented for larger reach. Collaboration with Financial Information Providers (FIP) and Financial Information users (FIU) was also completed to ensure better adoption of our offering. The total FIU+FIP closure for AA now stands at more than 100. We also continue to leverage our brand name, trust, and security for signing up with more FIPs and FIUs.

As public awareness about the Account Aggregator platform continues to build and considering that a seamless digital user journey is critical for its mass adoption, efforts are being taken to simplify the user journey and introduce improved workflows and new features for easy customer on-boarding.

CAMS KRA - CAMS Investor Services Private Limited (CAMS KRA), is a wholly owned subsidiary of CAMS, and is registered with the Securities and Exchange Board of India as a KYC Registration Agency. The Company is focusing on improving its market share and has recently collaborated with large MFs and Fintechs towards it.

Fintuple Technologies Private Limited, which became our subsidiary during the financial year, offers niche technology in the areas of client digital on-boarding, eKYC, fund reports, and other digital solutions for Alternate Investment Funds and Portfolio Management Services. Serving as the gateway that connects digitally savvy consumers to digitally enabled manufacturers and providers via APIs, it is all set to expand its footprints.

PRODUCT DEVELOPMENT AND DIGITAL OFFERINGS

As a part of our value offerings, we are developing and implementing various digital products/ applications to enable our mutual fund investors (who are our ultimate customers) to invest seamlessly. Our digital properties continue to perform desirably and set new milestones.

MF Central has been launched by CAMS in collaboration with Kfintech. It is a digital solution aimed at enhancing customer service within the Mutual Fund sector by furthering the ease, convenience, and speed of investing and elevating the overall investment management experience across all Mutual Funds. During the year, the solution went live for both financial and non-financial transactions.

CAMS WealthServ, the digital onboarding platform for Alternate Investment Funds ('AIF') and Portfolio Management Services ('PMS') investors, has been very well received by the industry. We continue to augment the product features and build meaningful partnerships with custodians, which will significantly strengthen the product's market position in future.

myCAMS, GoCORP & edge360 are market leading platforms developed by CAMS scaled new heights during the year. myCAMS for individual investors and GoCORP for institutional investors continue to offer differentiated value-added services to our customers. edge360, a digital platform for distributors and advisors, is also experiencing steady adoption and usage. Extensive marketing efforts and webinars have resulted in significant new registrations across these platforms, taking the overall registrations to over 64,000 as on March 31, 2023.

CAMServ chatbot is a chatbot facility, which was launched on CAMS website, has also been extended as a white labelled service on the AMC websites. Chatbot is a software that simulates human-like conversations with users via chat. Its key task is to answer user questions through instant messages. There is an increased preference for such offerings over traditional service channels, which is a testimony to its ease of usage. A distributor based chatbot has also been developed, enabling the distributors to generate quick transaction links relating to the MF investments of their investors to support seamless transactions.

digiInvest/ digiNFO which enables transactions via SMS link is seeing increased usage amongst the intermediaries. The solution has been enabled with the option to help the distributors and AMC's generate direct links for NFO investments and Switch transactions.

digiLoan against MF units is a product developed for Banks and NBFCs to provide digital loans against mutual fund investments. This facility enables the Bank/NBFC customers to avail a loan by pledging their investments in debt and/or equity mutual funds. The product facilitates completion of the lien marking for the purpose of obtaining loan through online mode and eliminates the need to submit physical documents. The product continues to garner increased attention from the loan providers.

CAMS Recon Dynamix is a robust, fully automated software for seamless reconciliation of general ledgers, payments, and transactions, bringing operational efficiency and ease to the complex activity of payments and settlements. The software efficiently detects errors before they become problems and brings down unnecessary delays and attendant risks considerably. Data translation, rules-based matching and investigative tools enable real-time analytics to monitor multi-level process status with enhanced speed, transparency, and security. The product has been well received by the market.

Technology Solution Provider (TSP) services for Account Aggregator (AA) Industry is provided by Sterling Software Private Limited, our wholly owned subsidiary, which commenced operations as a TSP for AA business. TSP offers implementation of digital signature and encryption for both FIPs and FIUs.

Central Record Keeping Agency (CRA)

CAMS's operations as a Central Recordkeeping Agency (CRA) commenced in March 2022.

As on March 31, 2023, CAMS CRA acquired a 9% market share of the eNPS subscribers. With our subscribers expressing their satisfaction for our processes, the registration journey has been industry-defining. Our endeavor to provide the best possible services to our subscribers and other intermediaries is further re-emphasised with the release of multiple user-friendly features during the year, including the Points of Presence module.

OPPORTUNITIES AND THREATS

Opportunities

CAMS's brand salience and superior technology, aligned with the business model of our clients, continues to make us the service partner of choice. Over the last 10 MF launches, we won the mandates from five reputed financial brands and supported their rapid growth.

During FY 2022-23, we won the mandates from Helios and Navi as their RTA, indicating our strong potential in the industry. The mandate from Navi (an existing mutual fund) was for migrating from its existing service provider while Helios, a new mutual fund, is expected to commence operations soon.

Significant wins have also been achieved in alternative Investment fund market, and in products such as Loan Against Mutual Funds ("LAMF") and Recon Dynamix. Our Account Aggregator platform and multiple offerings as a technology solution provider for the AA industry have also experienced considerable client registrations. We are now functioning as the Central Record Keeping Agency for the National Pension System (NPS). The NPS platform is

cloud-based and extends seamless services to the NPS subscribers and the overall ecosystem.

More than three decades of domain knowledge and expertise, established processes, technology-driven infrastructure, and marquee clients will enable us to capitalise on the growth in Insurance Repository, Account Aggregator, Payment Aggregator and CRA businesses. Increased focus on KYC requirements and mandatory issuance of policies in electronic form will also enhance opportunities for the insurance repository business significantly. Taking all these factors into consideration, we are well placed to secure a significant market share in the above businesses.

Threats

The threats faced by CAMS has been listed as part of the analysis. 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. Enhanced cyber security practices & effective governance have resulted in mature cyber security frameworks. To safeguard the interest of our stakeholders, we ensure that cyber security controls and practices are embedded into our business processes. Our IT practices are regularly reviewed and audited by independent agencies and our systems are subject to intense scrutiny and validation in the systems audit. Other than this, proactive measures are taken to ensure that we are adequately protected against external threats. Our BitSight score is 800, which is one of the best in the BFSI Sector. We comply with the enhanced requirements imposed on us by the regulator by virtue of being a Qualified Registrar and Transfer Agent.

Our revenue is highly concentrated on the Mutual Fund industry and its few clients. The competition and the regulatory restrictions may bring down the total expense ratios, which in turn could lower the fees paid to us by our clients.

Cognizant of the fact that any failure in detecting errors in our statutory records or errors or omissions in our business operations could expose us to potential losses, we are taking all steps to ensure compliance as per the applicable laws and regulations.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

CAMS 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 the preparation of financial statements and

other financial information. Apart from internal controls, we also audit the efficiency and security of our operations, our information technologies, and data, in accordance with the global standards.

We conduct periodic internal audits in line with an audit plan that is drawn at the beginning of the year and 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.

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 further.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This discussion on Financial Analysis encompasses CAMS's consolidated financials during FY 2022-23. We are a technology-driven financial infrastructure and service provider to mutual funds and other financial institutions. Numbers for the year under review are shown on comparable basis as discussed below.

FY 2022-23 Highlights

- During FY 2022-23, the consolidated revenue from operations was ₹ 97,183 lakhs as against ₹ 90,967 lakhs in the previous year.
- The Profit Before Tax was ₹ 38,019 lakhs as compared to ₹ 38,265 lakhs in the previous year.
- The Earnings Per Share was ₹ 58.3 against ₹ 58.7 in the previous year.
- The Company continues to be debt free as on March 31, 2023.

KEY FINANCIAL RATIOS

- 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 thereof, have been provided as part of the Notes to the Standalone Financials Accounts (Note No. 40).
- Additional Ratios are provided below:

Ratio	FY23	FY22
Debtors Turnover (No of days)	10.9	9.1
Current Ratio	6.6	5.2
Operating Profit Margin	34.8%	37.4%
Net Profit Margin	28.6%	31 %
Change in Return on Net Worth	39.9%	49.3%

A significant change has been noted only in the Current Ratio due to an increase in bank deposits and investments by ₹ 71 crore.

Since we are engaged in IT enabled services, the Inventory Ratios are not relevant. Also, since there are no borrowings, the Interest Coverage Ratio and Debt Equity Ratio are not relevant.

OPERATIONAL EXCELLENCE

During the year, CAMS continued to be the leader in delivering quality service to the MF industry for all modes of transactions such as physical, electronic & digital. Significant efforts have been made in maintaining the overall quality in performance and accuracy levels to ensure continual improvement in services. The investor satisfaction survey results for FY 2022-23 showed that 96.1% of our customers are 'very satisfied/satisfied' with our services as compared to 92.7% in the previous year. The number of participants in the survey have also doubled as compared to the previous year.

RISKS AND CONCERNS

CAMS recognises that risk is inherent to any business activity and that managing risk effectively is critical to its immediate and future success. We have a Board level Risk Management Committee in addition to an internal Risk Management Committee, which monitors our risk-related matters. 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 CAMS are as below:

Operational Risk

We face risks in our operations for any error or omission that could lead to significant monetary and reputational losses. We have 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 our operations, we are required to ensure a Business Continuity Plan, which will enable us to provide services on a continued basis, even under unforeseen events. The risks of failure to ensure BCP is one amongst the identified risks. To mitigate the same, we conduct full-scope half-yearly BCP drill, using the infrastructure of the BCP location. As part of the regulatory requirements, unannounced BCP drills are also carried out.

Regulatory Risk

CAMS, being a QRTA, is subjected to audits from the Regulator. Non-compliance of any regulations could result in observations in the SEBI Audits and can expose us to warnings and penalties. To reduce the audit observation, a pre-defined process identifies the outliers on real-time basis, primarily for the known observation, and remediates them on an immediate basis. This process is automated with workflow enabled model to ensure that audit observations on critical areas are 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, we have in place an extensive system for monitoring compliances, with individual functional heads, tasked with specific areas. Extensive support from external experts has been taken across all areas and these experts have been retained on a regular basis. Multiple audits are carried out to ensure these compliances and are reported to the Audit Committee/ Board in its Meetings. Audit/other related mitigating avenues have been identified and implemented.

Technology Risk

Inability to meet the demands of our clients or adapt to the latest technological changes might affect our business, as our success depends upon the development of requisite technology platforms and applications, necessary for business conduct. 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 we handle large amounts of data, Information Security Risk is one of the identified risks. We have an extensive Information Security Management System (ISMS), headed by a Chief Information Security Officer, which is supported by a well-established ISMS policy. Other than this, our systems are being periodically audited by external agencies. BitSight, an agency which monitors the level of information security, has given us a very high rating, giving us a score of 800. This is a market-leading score and an assurance for robust information security within the Company.

People Risk

Dependency on Key Managerial Personnel (KMP) and Senior Management is considered as a risk. The loss of any key person, and/or the 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 our business. Towards mitigating these risks, all the managerial positions have been filled and the retention of KMP through ESOPs and incentive programs has been initiated. The process to create future leaders through training, skill certification and workshops is also under progress.

Revenue Concentration

A significant part of our revenue comes from MF Business. Within MF the revenue is concentrated within a group of top clients. To mitigate this risk, the Company is maintaining a persistent focus on enhancing the non-MF revenue.

We perceive high growth opportunities in Insurance Repository, CAMSPay, and services to AIF clients. In addition, we have also been appointed as the CRA for Pension Funds and have added Account Aggregator business to our portfolio with the aim to broaden our sources for revenue generation. Leveraging the competencies acquired through Mutual Fund services business, we have launched products like Recon Dynamix, and Loan against Mutual Funds (LAMF), among others. Though we will continue to expand our businesses and garner additional revenue from them, the Mutual Fund services business is likely to remain dominant in near to medium term.

Contractual Risk

CAMS has entered into contractual agreements with various clients that may contain 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. Though we have extensive insurance coverage for addressing such liabilities, it may not be adequate to fully compensate the loss.

HUMAN RESOURCES

Employee attraction, development, and retention are key priorities for CAMS. We believe that engaged employees contribute to a higher level of engagement with our clients and investors, resulting in profitability and growth. Making the Company 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 by creating an environment for agility and transformation. We have created

several talent pools through academia collaboration to meet our specialised skill requirements. We have 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. Multiple communities have been formed to engage our employees through various activities, helping us in maintaining a participative work environment.

Over the years, deep domain knowledge of our employees has helped us to establish business leadership and win a significant market share. Our employees collaborate with precision and synchronisation to enable us to be a market leader and to keep in tune with the demands of the market. We continually invest in building a diverse and inclusive environment for our employees and our employees enable us to reach out to diverse MF investors across the country.

Our career development initiatives range from up-skilling, using structured in-house programs and 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. Managers are also encouraged to engage in meaningful dialogues and coach employees to enhance their performance.

We continue to uphold high standards of governance with respect to all statutory compliance and regulatory requirements. Our risk awareness and mitigation programs have furthered our compliance posture. We have several avenues for our employees to voice their opinion and work in a safe and conducive environment.

SAFE AND HEALTHY ENVIRONMENT

The operations of CAMS does not involve any manufacturing. We strive to maintain the highest safety standards and periodic fire drills are carried out at various premises. First aid training is given to a group of employees to handle any eventuality and employee feedback is regularly obtained on various health and safety considerations. The offices with a significant number of employees have either an in-house medical centre or tie-up with leading hospitals to provide treatment in case of medical exigencies.