

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 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 into equities.

The RTA industry broadly mirrors the performance of the Mutual Fund Industry.

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 RTA industry were also issued in the same year, viz. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

The Registrars and Transfer Agents (“RTA’s”) are regulated by the Securities and Exchange Board of India (“SEBI”) which issues the certificate of Registration to operate. RTAs serving more than 2 crore folios are designated as Qualified Registrar and Transfer Agent (“QRTA”) by SEBI and enhanced governance mechanism is applicable for those QRTAs.

The industry is dominated by three QRTAs and CAMS is one of the QRTAs operating in the country. CAMS operates in the Mutual fund industry as the RTA with an aggregate mutual fund share of approximately 68% based on Mutual fund AAUM. It has retained its

leadership position right from its initial years and has been consistently growing. It has reached the present share of 68% from about 56% during March 2010.

DEVELOPMENTS / OVERALL SCENARIO DURING THE YEAR

The year saw rapid growth in transaction volumes and Systemic Investment Plan (“SIPs”), on the back of market momentum. There was buoyant investor confidence in the capital markets, and in mutual funds in particular. The MF Assets Under Management (AUM) grew by 35%, recording the highest gain in recent years. Individual investors dominated the mutual fund categories like equity, hybrid, and solution-oriented schemes. SIP registrations surged and reached an all-time high. New MF folios ramped up to touch 24 million during the year. There has been a spate of New Fund Offer (“NFOs”) launched during 2024.

Considering the focus of the industry, the strong regulatory framework, the digitalisation of the modes of investments, the enhanced growth in the corporate earnings, higher disposable income, and investable household surplus, it is felt that the mutual fund industry is on a strong footing, and there is strong reason to believe that the products and services offered by the industry would see rapid uptake in coming years.

BUSINESS ENVIRONMENT

CAMS has continued its investment in technology across its offerings and Information Technology (IT) infra for improving its operational performance. It continues to provide superior experience to investors and distributors.

The MF industry continued to make new highs and the assets under management (AUM) of the industry crossed a record ₹ 40 lakh crore during the year and were at ₹ 39.42 lakh crore on March 31, 2024. The number of folios also hit a record high and was at 5.74 lakh crore as of March 31, 2024.

SIP registrations surged and reached an all-time high of 25 lakh new registrations in the month of December 2023 and continue to be above the range of 20 lakh. At an aggregate level, 27 million new SIPs were registered during 2024, an increase of 73% over previous year. New MF folios ramped up to touch 24 million during the year, an 82% increase

over 2024. MF penetration also increased significantly due to the digital modes available for the investment. There has been a spate of NFOs launched during 2024. The CAMS operations, technology, digital tools, customer service, and front offices exerted maximum effort to ensure high-quality service delivery for these immense volumes. The growth expected in the mutual fund industry will be replicated in the performance of the RTA industry, which closely follows the performance of the MF industry.

SEGMENT-WISE PERFORMANCE AND OUTLOOK

MF Operations:

The Company retained its market leadership position with about 68% market share. The Live folios serviced by CAMS is at 72.70 million as compared to 57.40 million in the previous year. The SIP book also continues to be on the upswing with 35.37 million.

Other Businesses:

CAMS Insurance Repository Services Limited- "CAMSRRep" intensified its business development efforts to highlight the value proposition of repository and digital services with life insurance clients and for the first time with general insurers too. IR services have gained momentum. New insurers have been activated and volume penetration has improved with some of the large insurers. The circular of the regulator mandating issue of insurance policies in electronic form is expected to give momentum to the IR Business.

The mandatory Know Your Customer ("KYC") that was made applicable for all insurance policies including health, General Insurance ("GI"), and life insurance, effective from last financial year has paved the way for non-life policies now to be brought into electronic insurance account. CAMSRRep has utilised this opportunity to develop a KYC service to help non-life insurers meet the changed regulations. This should facilitate the subsequent on-boarding of policyholders to eIA and expand the serviceable market beyond life insurers.

CAMS Payment business (CAMSPAY) - The business has become a regulated business effective from September 2021. The Company has been issued the certificate of Registration by the Reserve Bank of India to act as the Payment Aggregator. The business is introducing more new-age payment methods like UPI AutoPay, Paybylink, & mobile app for seamless recurring

payments and QR-based payments. CAMSPay has emerged as the preferred payments partner for mutual funds participating in myCAMS. The payments volume reached about 73% share in the last quarter of the financial year.

CAMS Account Aggregator - CAMS Financial Information Services Private Limited ('CAMS FIS'), a wholly-owned subsidiary of the Company has been issued with the Certificate of Registration by the Reserve Bank of India as a Non-Banking Financial Company to function as Account Aggregator. As on March 31, 2024, the cumulative number of linked accounts reached approximately 58.26 million while the total count of successfully fulfilled consent requests surpassed 63.96 million.

CAMS KRA - CAMS Investor Services Private Limited ('CAMS KRA'), is a wholly-owned subsidiary of the Company which is registered with Securities and Exchange Board of India as a KYC Registration Agency. CAMS KRA continues to strengthen its position as the second largest KRA in the market with its continued excellence in operation, digitation, and usage of AI (Artificial Intelligence). A redefined go-to market strategy and a structured sales and account management team is now in-place who are actively engaging with existing clients associated with CAMS KRA to scale volumes and trying to onboard new players in the capital markets. Sustained efforts to position CAMS KRA as a New Aged Technology Driven Fintech Company, that is ahead of its competitors in terms of digitisation and usage of AI, keen to onboard all players from Capital Markets has made a positive impact in the market in FY 2023-24.

Think Analytics

TAIPL offers Software as a Service (SaaS) based products and data science services to its customers in India and abroad and provides analytical solutions suitable for use with the Account Aggregator framework. All the products of the Viz Algo360, Aamaze, KwikID and Analytics are well recognised in the market. The Company won several new mandates and extensively worked on strengthening its relationship with large clients. After becoming a subsidiary of CAMS, it is exploring opportunities for collaboration and synergy with various businesses within the Company. It has started combined offering in the Account aggregator, insurance repository, KRA business of the Company. It is also working closely with CAMS to explore analytics use case for the mutual fund industry.

Technology Solution Provider (TSP) services for Account Aggregator Industry - Sterling Software Private Limited, a wholly-owned subsidiary of the Company, continues to provide services as a TSP-for-AA business as well. 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.

Fintuple Technologies Private Limited, has niche technology offerings in the areas of client digital on-boarding, eKYC, fund reports, and other support digital solutions for Alternative Investment Fund (“AIF”) and Portfolio Management Services (“PMS”) and has been expanding its footprint as the gateway connecting the digitally savvy consumers to digitally enabled manufacturers and providers, via APIs. It has started serving one of the largest private sector banks which is now live with 7 AMCs and is enabled fully for Domestic RI PMS Onboarding along with Non-Financial Transactions.

PRODUCT DEVELOPMENT AND DIGITAL OFFERINGS

As part of its value offerings, the Company is developing various digital products/applications which enable the investors in mutual funds (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 for digitalising the investment journey. 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.

MFCentral has been launched by CAMS and Kfintech. This is a digital solution aimed at enhancing customer service in the Mutual Fund industry. MFCentral has become the preferred platform for investors because of its unique single-window facility to address all investors’ requirement across the entire Mutual Fund landscape in India. It has been perceived as a very vibrant platform by the investors. Ease of transacting across all the MFs in India through a single window has been one of the pull factors for the investors. It has gained immense popularity among Mutual Fund investors and ecosystem partners. Significant growth in user registration, number of requests it receives each day, daily traffic on its portal and app, number of ecosystem partners who consume the MFCentral APIs today, indicate how MFCentral has

established itself as preferred platform for Mutual Funds related requirements.

CAMS WealthServ, the digital onboarding platform for AIF (Alternative Investment Fund) and PMS (Portfolio Management Services) investors, has been very well received by the Alternatives Industry. CAMS continues to augment the product features and partnerships with custodians, which will significantly strengthen the market position for the product.

myCAMS, GoCORP & edge360:

myCAMS continues to be the largest mobile app in the Mutual Fund arena with over 6.6 million registered users. The app sustains its position among the Top 4 fintech apps garnering over ₹ 843 crore gross sales per month for FY 2023-24.

GoCORP for institutional investors continue to offer differentiated value adding services. The Company continues to remain focussed on enrolling more corporates to use GoCORP for their institutional transactions. The total registered users as on March 31, 2024, has been about 8,000 and the platform services over ₹ 2.1 trillion assets held by these corporates.

edge360, the digital platform for distributors and advisors is recording steady adoption and usage. Intensive marketing campaigns and webinars significantly boosted new registrations, resulting in the total number of registrations surpassing 76,000. Various new features such as Folio search option, Transaction cancel option by MFDs, iSIP and account validation have been enabled in the platform.

CAMServ chatbot launched on CAMS website and offered as a white-labelled service on AMC websites has been expanded to social portals of WhatsApp. Chatbot is a customised, white-labelled service as there is an increased preference over traditional service channels, which is a testimony to its ease of usage. For a 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.

eKYC utility is being extensively used with daily usage of about 1,500 new investors with around 80% conversion. Digilocker has been integrated as an additional option to the eKYC solution. An industry first initiative for online updating of contact details and address in KYCs enabling KYC in 10 minutes has been implemented. This is a unique industry-first innovation.

Online KYC Modification (Re-KYC) facility for All KRA PANs has also been introduced. This facility allows investors to modify all their KYC details with mandatory DigiLocker validation.

digiInvest/digiNFO which enables transactions via Short Messaging Services (“SMS”) link continues to see increased usage among intermediaries. NFO (“New Fund Offer”) investments and Switch transaction links that can be generated directly by distributors and AMCs 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 paperless, digital process. This product continues to get increased attention from various Banks and NBFCs.

CAMS Recon DynamiX is 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. Errors are detected before they become problems, delays and attendant risks are driven down. Data translation, rules-based matching and investigative tools enable real-time analytics to monitor multi-level process status at enhanced speed, transparency, and security.

Central Record Keeping Agency (CRA)

The Company’s operations as a Central Recordkeeping Agency (“CRA”) were launched in the month of March 2022. Our endeavour to provide the best possible services to our Subscribers and other intermediaries is re-emphasised with the release of various new features. In FY 2023-24, CAMS CRA registered an YoY growth of 41% in terms of Subscriber onboarding in Non-Government Sectors even though the industry experienced a degrowth. The Company has about 6.77% market share in eNPS and 6.13% market share in new PRANS generated for the year in overall retail (individual) sector. The total subscriber count as of March 31, 2024, stands at about 68,000.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

The Company’s brand salience and superior technology aligned with client business model continues to make CAMS as the service partner of choice for the clients. In the last 9 new MF launches, CAMS won mandates from seven reputed financial brands. and supported

their rapid growth. The Company’s has been able to retain its share in the RTA industry at 68% as of March 2024. The wins made by the Company during the financial year indicate the large potential the Company has in the RTA industry.

The Company continues to be the market leader in the AIF and PMS space catering to 170+ fund houses (450+ schemes across investor servicing and fund accounting scope) with an overall Assets Under Advice (“AUA”) of over ₹ 2.20 lakh crore. Our clients include market leaders in the Alternative Investments space who have reposed faith in CAMS and continue to contract fresh mandates with us for their subsequent schemes too. It is also notable that we have been able to make inroads in the Multi-National Companies (“MNC”) space with leading international funds choosing us as their service provider for their AIF and PMS funds, respectively. CAMS WealthServ, the digital onboarding platform for the AIF/PMS industry, has also garnered significant traction, with over 130 sign-ups since its launch.

The Account Aggregator platform and the service of offering Technology Solution providing for the AA industry which are now operational are showing significant client sign ups. The rapid adoption of the AA environment signals a maturing ecosystem, further driven by the onboarding of 500+ entities as Financial Information Providers (FIPs) /Financial Information Users (FIUs). This surge in participation signifies a decisive shift from a cautious wait-and-watch approach to active engagement within the AA landscape. This is expected to enable faster growth of the business volumes and revenue.

The Company is now functioning as the 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.

The increased focus on the KYC requirements and mandatory issue of the policies in electronic form will significantly enhance the business opportunities for the insurance repository business. 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 threats faced by the Company has been listed as part of the Analysis. However, the Company has a documented policy for managing the risks/ threats likely to be faced by it.

- The computer resources of the Company have also been declared as a critical Information Infrastructure by the Ministry of Electronics and Information Technology which indicates the importance of the information infrastructure of Company. With the growing prominence of technology in all our activities, cyber security is of paramount importance to CAMS. The Company ensures that Cyber Security controls and practices are embedded into the business process. Enhanced cyber security practices & effective governance have resulted in mature cyber security frameworks. The IT practices are reviewed and audited regularly by independent agencies. Our systems are subject to intense scrutiny and validation in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats. The Company's Bitsight score is around 800, which is one of the best in the Banking and Financial Services (BFSI) Sector. The Company complies with the enhanced requirements imposed on it by the regulator by virtue of it being a qualified Registrar and Transfer Agent.
- The Company's revenue is highly concentrated on the Mutual Fund industry and its few clients. The competition and the regulatory restrictions may drive down total expense ratios, which in turn could 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 the 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.

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 2023-24. The Company is a technology-driven financial infrastructure and service provider to mutual funds and other financial institutions. The FY 2022-23 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 2023-24, the consolidated revenue from operations of the Company was at ₹1,13,652 lakh as against ₹ 97,183 lakh in the previous year.

The Profit Before Tax (PBT) was ₹ 46,685 lakh as against the previous year PBT of ₹ 38,019 lakh.

The Earnings Per share - Basic was ₹ 72.06 as against the previous year which was Earnings Per Share (EPS) at ₹ 58.26 per share.

The Company continues to be debt free except for bank guarantees taken for operational requirements which are fully secured by fixed deposits.

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 Standalone Financials

Accounts (Note No. 39). Additional Ratios are provided below:

Ratio	2023-24	2022-23
Debtors Turnover (No. of days)	19	11
Current Ratio	5.49	6.48
Operating Profit Margin	38.22%	37.14%
Net Profit Margin	30.04%	28.56%
Return on Net Worth	41.70%	39.91%

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 debit equity ratio are not relevant.

OPERATIONAL EXCELLENCE

During the year, CAMS continued to be the leader in delivering quality service in the MF industry for all modes of transactions like Physical, Electronic & Digital. To have continuous improvement, CAMS has made significant efforts in maintaining overall quality performance and accuracy levels. The investor satisfaction survey results for FY24 showed 97.60% of the customers rate the services of the Company as very satisfied/Satisfied as compared to 96.1% in the previous year.

RISKS AND CONCERNS

The Company recognises 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 Company has also in place a Chief Risk Officer. 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 its 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 BCP drill using the infrastructure of the BCP location.

Regulatory Risk

The Company, 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 the Company to warnings and penalties. To reduce the audit observation, the Company maintains 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 NIL or few numbers, at the most.

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 to ensure these compliances and are reported to the Audit Committee/ Board at its Meetings.

Technology Risk

Inability to meet the demands of the Clients or adapt to the 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 handles large amounts 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 the level of the information security has rated the Company very high at a score of 790. 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 and retention of KMP through ESOPs and Incentive Programmes has been initiated and action to create future Leaders through training, skill certification and workshops have been initiated.

Revenue Concentration

A 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 high growth opportunities in 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 broaden the revenue generation sources. Leveraging competencies acquired through Mutual Fund services business, the 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 into contractual agreements with various clients, which 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. The Company has extensive insurance coverage for addressing such liabilities. However, the insurance cover may not be adequate to fully compensate the loss.

HUMAN RESOURCES

Employee attraction, development, and retention are central priorities at CAMS. The Company firmly believes that engaged employees not only boost stronger connections with clients and investors but also drive profitability and growth. Therefore, creating a vibrant workplace culture has always been a core focus for

CAMS. The Company's people strategy centres around cultivating a culture of continuous learning and growth while nurturing leadership capabilities to navigate expansion successfully. CAMS strives to promote the best in its employees by promoting an environment characterised by agility and adaptability. Collaborative efforts with academia have helped cultivate specialised talent pools to meet specific skill requirements, while a robust training and development framework ensures certification in the Mutual Funds domain.

Innovation and automation are encouraged through impactful recognition programmes, underscoring CAMS' commitment to excellence in people practices. Rigorous risk awareness and mitigation programmes drives the Company's compliance posture, while the formation of various employee communities promotes a participative work environment. The deep domain expertise of CAMS employees has played a pivotal role in establishing the Company's leadership position and market share. Through precise collaboration and synchronisation, employees enable CAMS to wield influence in the market, ensuring a competitive edge and alignment with market demands. CAMS is dedicated to building a diverse and inclusive environment, empowering employees to reach investors across the nation.

Career development initiatives at CAMS include a spectrum of opportunities, ranging from structured in-house programmes and specialist certifications to sponsorships for courses at premier management institutions. The Company actively supports employees in crafting individual development plans and facilitates growth through job rotations, internal promotions, and hiring. CAMS remains committed to upholding high standards of governance, adhering to all statutory compliance and regulatory requirements. Various channels are provided for employees to voice their opinions in a safe and conducive environment, with managers engaging in meaningful dialogues and coaching sessions to enhance performance.

SAFE AND HEALTHY ENVIRONMENT

The operations of the Company do not involve any manufacturing. The Company strives to maintain the highest safety standards; periodic fire drills are carried out at various premises. First aid training is given to a group of employees to handle any eventuality. Feedback from employees 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.