

Computer Age Management Services (COMAGE)

CMP: ₹ 3040

Target: ₹ 3500 (15%)

Target Period: 12 months

August 11, 2021

Traction in MF AUM, non-MF products to aid revenue

About the stock: CAMS is a mutual fund transfer agency. It provides technology-driven financial infrastructure & services to MFs and other financial institutions.

- Largest registrar and transfer agent (RTA) of MFs with ~70% market share
- It has consistently operated with high (>30%) margins and return ratios

Q1FY22 Results: CAMS reported a steady sequential performance.

- Revenue from operations up 35% YoY to ₹ 201 crore, led by growth in AUM
- EBITDA up 48.5% YoY at ₹ 97.4 crore; margins up at 70 bps YoY at 47.4%
- PAT was at ₹ 63.2 crore (up 58.7% YoY) with margins at 30.74%

What should investors do? CAMS' share price has grown by ~2.5x over the past nine months (from ~₹ 1300 in November 2020 to ~₹ 3,250 in August 2021). Sustainable growth opportunity & market leadership remains positive though richly valued

- We maintain our BUY rating on the stock

Target Price and Valuation: We value CAMS at ~56x FY23E EPS and revise our target price from ₹ 2800 to ₹ 3500 per share.

Key triggers for future price performance:

- Structural growth opportunity in relatively under penetrated market
- Technological expertise, long standing client relation and market leadership remains a key business strength
- Gradual pick up in non-MF business & scheduled launch of new products to aid revenue growth and diversification
- Steady growth & consistent elevated margin to aid valuation

Alternate Stock Idea: Apart from CAMS, in our coverage we also like Nippon Life.

- It offers a play on under-penetrated asset management industry coupled with strong distribution and focused approach on active & passive AUM
- BUY with target price of ₹ 480

BUY



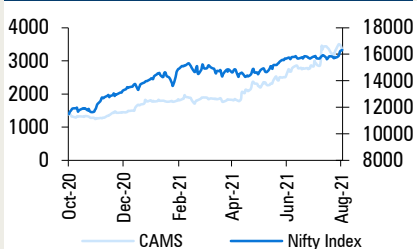
Particulars

Particulars	Amount
Market Capitalisation	₹ 15937 crore
Equity Capital	₹ 49 crore
Networth	₹ 585 crore
Face value	₹ 10
52 week H/L	3742 /1260

Shareholding pattern

(in%)	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	31.0	31.0	31.0	31.0
FII	8.7	22.1	24.0	25.1
DII	32.2	26.3	24.0	21.8
Others	28.1	20.6	21.0	22.1

Price Chart



Recent Event & Key risks

- AAUM jumps 32.3% YoY to ₹ 23.1 lakh crore. Maintains dominant leadership position with 69.6% market share
- **Key Risk:** (i) Slower than anticipated pick-up in AUM (ii) Delay in non MF products scheduled to launch ahead

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Key Financial Summary

(₹ crore)	FY19	FY20	FY21	4 year CAGR (FY17-FY21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenue	711.7	721.3	735.3	2.7%	867.9	964.9	14.6%
EBITDA	217.9	286.6	296.0	12.3%	382.4	432.0	20.8%
PAT	135.2	172.4	205.3	8.6%	265.9	303.7	21.6%
EPS (₹)	27.7	35.3	42.1		54.4	62.1	
Managed AUM (₹ lakh crore)	15.8	18.2	20.0		23.6	27.3	
RoCE (%)	41.9%	46.0%	65.3%		56.6%	56.1%	
P/E (x)	109.7	86.0	72.3		55.9	48.9	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY22 Results: Steady quarter

- Net flows during the quarter remains positive. Overall AUM touched ₹ 23.1 lakh crore, increasing 32.3% YoY
- Growth in total AAUM was driven by both equity and debt, with equity component at 36% of the asset mix
- Asset based revenue increased 32.7% YoY, 2.3% QoQ. Non-asset based revenue increased 60.5% YoY and declined 8.5% QoQ. Non-MF revenue increased 29.1% YoY, 1.4% QoQ
- Return on net-worth for the current quarter was at 43.3% vs. 46.6%
- Transactions volume increased 15% YoY, 2% QoQ at ₹ 8.75 crores. SIP book was at ₹ 2.29 crores, with overall increase of 15% YoY, 7% QoQ
- Live investor folios were at 4.16 crore, up 5% YoY, 3% QoQ. Unique investor serviced was at 1.7 crore, with overall increase of 6% YoY, 2% QoQ
- Franklin Templeton's operation was migrated to CAMS, recording the largest migration in the MF Industry

Q1FY22 Earnings Conference Call highlights

- All operating metric seems to have shaped well in MF business in April, May and June 2021. Contraction is seen in transaction volume, especially paper transactions. Paper transaction revenue took a hit. Hence, on a QoQ basis the quarter was muted
- In Q1FY22, transactions volume touched a historic high of 87.5 million, which includes 16.6 million investor and distributor-initiated transactions. CAMSPay, Payment Aggregator Services, transactions touched a historic high of 10 million+ transactions per month
- For Franklin Templeton, the management expects to have breakeven EBITDA in the course of the year. Initially, there will be settling down transition and additional cost to be incurred
- Franklin migration was done in July 2021 and will be reflected from Q2FY22 onwards
- Non MF includes AIF, CAMSpay, insurance business, KRA and software business. AIF provides similar margins like MF. CAMSpay is a relatively lower margin business. Repository (Insurance) has a challenging margin profile

Peer comparison

Exhibit 1: Peer Comparison

Sector / Company	CMP			M Cap (₹ bn)	EPS (₹)			P/E (x)			P/ABV (x)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
HDFC AMC (HDFAMC)	2,867	3,150	Hold	611	62.2	64.6	73.7	46.1	44.4	38.9	12.8	11.3	10.0	27.8	25.5	25.7
Nippon AMC (RELNIP)	375	480	Buy	232	11.1	11.2	12.7	33.8	33.5	29.5	7.4	7.0	6.5	18.7	15.9	15.3
Computer Age Management Services (CAIV 3,040)	3,500	3,500	Buy	150	42.1	54.4	62.1	8.9	6.9	6.0	3.5	3.1	2.7	39.8	44.6	44.2

Source: Company, ICICI Direct Research

We believe CAMS deserves premium valuations given structural growth opportunity, market leadership and consistent earnings. However, current valuation factors in majority of the positives.

Exhibit 2: Variance Analysis

	Q1FY22	Q1FY21	YoY	Q4FY21	QoQ	Comments
Revenue	201.2	148.6	35.4	199.8	0.7	Revenue has followed growth in AUM serviced
<i>Yield (bps)</i>	<i>3.5</i>	<i>3.4</i>	<i>2.3</i>	<i>3.6</i>	<i>-2.8</i>	
Other income	4.5	14.1	-68.0	4.2	8.7	
Total income	205.7	162.8	26.4	203.9	0.9	
Operating expenses	108.3	97.1	11.5	110.7	-2.2	
EBIDTA (incl other income)	97.4	65.6	48.5	93.2	4.5	Healthy revenue led to growth in EBITDA
<i>EBITDA margin (%)</i>	<i>47.4</i>	<i>40.3</i>	<i>704 bps</i>	<i>45.7</i>	<i>165 bps</i>	
Depreciation	10.6	11.3	-5.7	10.6	0.2	
Interest	1.8	2.4	-24.8	1.7	3.3	
PBT	85.0	52.0	63.6	80.9	5.1	
Tax	21.7	12.1	79.7	20.7	4.9	
PAT	63.2	39.9	58.7	60.1	5.2	Topline growth, steady opex led to uptick in earnings
Total AUM served	2310000	1746360	32.3	2230000	3.6	Largely maintained market share at 69.5%
Equity	831600	571309	45.6	780500	6.5	Growth equally driven by equity and debt segment
Debt	1478400	1175051	25.8	1449500	2.0	
Total transaction volume (Nos. Cr)	8.8	7.6	15.0	8.6	1.9	

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

	FY22E			FY23E		
	Old	New	Change %	Old	New	Change %
Total revenue	800.7	838.3	4.7	889.8	933.2	4.9
EBIDTA	338.9	382.4	12.8	382.3	432.0	13.0
PAT	233.7	265.9	13.8	267.0	303.7	13.8
AAUM served (Lakh cr)	22.8	23.6	3.5	26.3	27.3	3.6

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

Particulars (in ₹ crore)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue From Operations	642	694	700	705	838	933
Other Income	20	18	22	30	30	32
Total Income	661	712	721	735	868	965
Employee benefits expense	226	275	258	262	294	326
Finance costs	0.3	0.3	9.7	7.9	7.4	6.9
Depreciation expense	23	28	51	43	45	46
Other operating expenses	183	201	155	147	162	175
Total Expenses	432	504	474	461	509	554
PBT	230	207	247	274	359	410
Tax	82	72	75	69	93	107
PAT	147	135	172	205	266	304

Source: Company, ICICI Direct Research

Exhibit 5: Key Ratios

	FY19	FY20	FY21	FY22E	FY23E
No. of shares (crore)	4.9	4.9	4.9	4.9	4.9
BV (₹)	92.6	112.6	105.7	121.9	140.5
EPS (₹)	27.7	35.3	42.1	54.4	62.1
P/E (x)	109.7	86.0	72.3	55.9	48.9
P/BV	32.8	27.0	28.8	24.9	21.6
P/AUM (%)	0.9%	0.7%	0.6%	0.6%	0.5%
RoCE (%)	41.9%	46.0%	65.3%	56.6%	56.1%
RoE (%)	29.9%	31.4%	39.8%	44.6%	44.2%
EBITDA Margin (%)	31.4%	42.0%	45.6%	45.6%	46.3%
Dividend yield (%)	1.2	1.1	2.1	1.1	1.2

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

	FY19	FY20	FY21	FY22E	FY23E
Assets					
Property, plant and equipment	71	164	139	146	153
Intangible assets	152	145	145	142	139
Investments	2	1	1	1	1
Other non-current assets	32	21	24	26	28
Total Non Current Assets	257	330	309	314	321
Investments	230	306	236	254	275
Cash and cash equivalents	5	51	180	144	130
Other current assets	147	117	117	235	337
Total current assets	383	473	533	633	741
Total Assets	639	803	842	947	1,062
Equity & Liabilities					
Share Capital	49	49	49	49	49
Reserves & Surplus	403	500	467	547	638
Total Equity	452	549	516	596	687
Non Controlling Interest	8	-	-	-	-
Other financial liabilities	-	76	65	71	76
Provisions & other	71	76	75	82	88
Total Non current liabilities	71	152	139	153	164
Trade payables	36	36	53	57	61
Other current Liabilities	72	67	134	142	150
Total Current Liabilities	108	103	187	198	211
Total Equity and Liabilities	639	803	842	947	1,062

Source: Company, ICICI Direct Research

Exhibit 7: Growth trajectory (%)

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
AUM	15.1	26.1	18.1	15.6	15.8
Operating income	8.1	1.7	18.8	11.3	11.4
EBITDA	-6.4	35.9	29.2	13.0	13.2
Net profit	-8.3	51.9	29.5	14.2	12.9
Net worth	0.4	21.5	-6.0	15.5	15.3
EPS	-8.3	51.8	29.3	14.2	12.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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