

Computer Age Management Services (COMAGE)

CMP: ₹ 2398

Target: ₹ 2760 (15%)

Target Period: 12 months

May 8, 2022

Mixed performance; gradual traction in non-MF pie...

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 ~69% market share
- It has consistently operated with high (~30%) margins and return ratios

Q4FY22 Results: CAMS reported a mixed performance.

- Revenue from operations was up 22% YoY to ₹ 243 crore. Sequential growth remained subdued at 2.3%
- EBITDA up 25% YoY at ₹ 116 crore; margins up at 134 bps YoY at 47%
- PAT was at ₹ 73.8 crore, up 22.8% YoY, though margins declined QoQ

What should investors do? CAMS' share price has grown by ~1.7x over the past two years. 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 ~41x FY24E EPS and revise our target price from ₹ 3500 to ₹ 2760 per share.

Key triggers for future price performance:

- Structural growth opportunity with equity focus in under penetrated market
- Increase in contribution from AIF & non-MF business (including CRA, account aggregator, etc) to offset volatility in MF business
- Technological expertise, long standing client relation and market leadership remain key business strengths
- Capex & digital opex could keep margins in tight range in coming quarters

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 a target price of ₹ 400

BUY



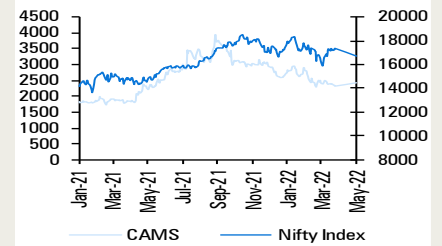
Particulars

Particulars	Amount
Market Capitalisation	₹ 11727 crore
Equity Capital	₹ 49 crore
Networth	₹ 648 crore
Face value	₹ 10
52 week H/L	4064 /2200

Shareholding pattern

Particulars	Amount
Market Capitalisation	₹ 11743 crore
Equity Capital	₹ 49 crore
Networth	₹ 648 crore
Face value	₹ 10
52 week H/L	4064 /2200

Price Chart



Recent Event & Key risks

- AAUM jumps ~18% YoY to ₹ 26.7 lakh crore. Maintains dominant leadership position with ~69% market share
- **Key Risk:** (i) Slower than anticipated pick-up in AUM (ii) IT disruption may impact operations

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Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22	4 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY21-23E)
Revenue	711.7	721.3	735.3	926.9	9.2%	965.7	1030.1	5.4%
EBITDA	217.9	286.6	296.0	424.1	24.9%	436.9	477.0	6.0%
PAT	135.2	172.4	205.3	286.9		302.3	328.0	
EPS (₹)	27.7	35.3	42.1	58.7		61.8	67.1	
Managed AUM (₹ lakh crore)	15.8	18.2	20.0	26.7		31.4	36.6	
RoCE (%)	41.9%	46.0%	72.2%	57.5%		52.0%	50.6%	
P/E (x)	86.5	67.8	57.0	40.9		38.8	35.8	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Mixed quarter

- Net flows during the quarter remain positive. Overall AUM touched ₹ 26.7 lakh crore, increasing 19.6% YoY
- Growth in total AAUM was mainly driven by equity. Equity component was at 41.4% of the asset mix
- Asset based revenue increased 18.9% YoY and was flat QoQ. Non-asset based revenue increased 29.6% YoY and was flat QoQ. Non-MF revenue increased 32.2% YoY, 14.8% QoQ
- Transactions volume increased 29% YoY, 4% QoQ at ₹ 11.53 crore. SIP book was at ₹ 2.9 crore, with overall increase of 39% YoY, 6% QoQ
- Live investor folios were at 5.16 crore, up 28% YoY, 5% QoQ. Unique investor serviced was at 2.29 crore, with overall increase of 38% YoY, 6% QoQ

Q4FY22 Earnings Conference Call highlights

- Equity mix during Q4FY22 improved but yields were impacted marginally. Going ahead, yields are expected to remain in check as assets will grow
- Margins are expected to be in the range of 35-40%. Opex is likely to be on the higher side on account of investment in IT related expenses, capex, marketing expenses, etc
- CAMS received RTA mandate from Zerodha for proposed mutual fund
- Account aggregator business gaining momentum coupled with a compelling TSP offering and new sign ups. The platform is live with two clients in Q4FY22
- CAMS launched industry's first CRA platform on cloud in March 2022 and achieved 4.1% share in eNPS registrations (as of April 2022)
- CAMSPay launched UPI autopay and Insta NACH/SIP - Industry first initiatives uniquely designed for the MF industry
- CAMS funds continue to dominate the NFO market. Overall NFO flows for FY22 were 65%
- Total 32% of digital transactions across CAMS serviced funds are via myCAMS
- CAMS digital properties service an aggregate AUM of ₹ 7.9 lakh crore

Peer comparison

Exhibit 1: Peer Comparison

Sector / Company	CMP			M Cap (₹ bn)	EPS (₹)				P/E (x)				RoE (%)			
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
HDFC AMC (HDFAMC)	1,970	2,400	Buy	420	62.2	65.4	73.0	83.9	31.7	30.1	27.0	23.5	27.8	25.2	24.9	25.4
Nippon AMC (RELNIP)	296	400	Buy	184	11.0	12.0	15.1	17.8	26.9	24.8	19.7	16.6	18.7	17.0	17.6	20.9
Computer Age Management	2,401	2,765	Buy	117	42.1	58.7	61.8	67.1	7.0	5.0	4.8	4.4	39.8	44.3	40.9	39.2

Source: Company, ICICI Direct Research

We believe CAMS deserves premium valuations given structural growth opportunity, market leadership and consistent earnings.

Exhibit 2: Variance Analysis

	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ	Comments
Revenue	243.2	199.8	21.7	237.7	2.3	Sequential revenue growth subdued
<i>Yield (bps)</i>	<i>3.6</i>	<i>3.6</i>	<i>6 bps</i>	<i>3.6</i>	<i>8 bps</i>	
Other income	4.3	4.2	2.1	4.1	3.3	
Total income	247.4	203.9	21.3	241.8	2.3	
Operating expenses	131.0	110.7	18.3	124.4	5.3	
EBIDTA (incl other income)	116.4	93.2	24.9	117.4	-0.9	Lower revenue led negative growth in EBITDA QoQ
<i>EBITDA margin (%)</i>	<i>47.0</i>	<i>45.7</i>	<i>134 bps</i>	<i>48.6</i>	<i>-151 bps</i>	
Depreciation	15.7	10.6	48.0	13.4	16.9	
Interest	1.8	1.7	2.5	1.8	1.0	
PBT	98.9	80.9	22.4	102.2	-3.2	
Tax	25.1	20.7	21.1	24.9	0.7	
PAT	73.8	60.1	22.8	77.3	-4.5	Weak topline impacted PAT QoQ
Total AUM served	2670000	2230000	19.7	2670000	0.0	Market share largely maintained at 69%
Equity	1100000	780500	40.9	1090000	0.9	
Debt	1570000	1449500	8.3	1580000	-0.6	
Total transaction volume (Nos. Cr)	11.5	8.6	34.2	11.1	4.2	Healthy traction in transaction volumes

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

	FY23E			FY24E		
	Old	New	Change %	Old	New	Change %
Total revenue	838.3	934.3	11.5	933.2	1006.1	7.8
EBIDTA	382.4	436.9	14.2	432.0	477.0	10.4
PAT	265.9	302.3	13.7	303.7	328.0	8.0
AAUM served (Lakh cr)	23.6	31.4	33.0	27.3	36.6	34.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement						
	₹ crore					
Particulars (in ₹ crore)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue From Operations	694	700	705	910	934	1,006
Other Income	18	22	30	17	31	24
Total Income	712	721	735	927	966	1,030
Employee benefits expens	275	258	262	322	331	358
Finance costs	0.3	9.7	7.9	7.1	7.1	7.1
Depreciation expense	28	51	43	52	53	54
Other operating expenses	201	155	147	164	166	171
Total Expenses	504	474	461	544	557	590
PBT	207	247	274	383	409	440
Tax	72	75	69	96	106	112
PAT	135	172	205	287	302	328

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet						
	₹ crore					
	FY19	FY20	FY21	FY22	FY23E	FY24E
Assets						
Property, plant and equipment	71	164	139	154	161	169
Intangible assets	152	145	145	160	157	154
Investments	2	1	1	-	1	1
Other non-current assets	32	21	24	25	26	28
Total Non Current Assets	257	330	309	339	346	353
Investments	230	306	236	317	342	370
Cash and cash equivalents	5	51	180	151	136	122
Other current assets	147	117	117	151	244	344
Total current assets	383	473	533	618	722	836
Total Assets	639	803	842	957	1,068	1,188
Equity & Liabilities						
Share Capital	49	49	49	49	49	49
Reserves & Surplus	403	500	467	599	689	788
Total Equity	452	549	516	648	738	837
Non Controlling Interest	8	-	-	-	-	-
Other financial liabilities	-	76	65	63	67	72
Provisions & other	71	76	75	73	78	83
Total Non current liabilities	71	152	139	136	145	155
Trade payables	36	36	53	49	52	56
Other current Liabilities	72	67	134	125	132	140
Total Current Liabilities	108	103	187	174	185	196
Total Equity and Liabilities	639	803	842	957	1,068	1,188

Source: Company, ICICI Direct Research

Exhibit 5: Key Ratios						
	FY19	FY20	FY21	FY22	FY23E	FY24E
No. of shares (crore)	4.9	4.9	4.9	4.9	4.9	4.9
BV (₹)	92.6	112.6	105.7	132.4	151.0	171.1
EPS (₹)	27.7	35.3	42.1	58.7	61.8	67.1
P/E (x)	86.5	67.8	57.0	40.9	38.8	35.8
P/BV	25.9	21.3	22.7	18.1	15.9	14.0
P/AUM (%)	0.7%	0.6%	0.4%	0.4%	0.4%	0.3%
RoCE (%)	41.9%	46.0%	72.2%	57.5%	52.0%	50.6%
RoE (%)	29.9%	31.4%	39.8%	44.3%	40.9%	39.2%
EBITDA Margin (%)	31.4%	42.0%	46.6%	46.6%	46.8%	47.4%
Dividend yield (%)	1.2	1.1	2.6	1.5	1.5	1.7

Source: Company, ICICI Direct Research

Exhibit 7: Growth trajectory (%)						
(Year-end March)	FY19	FY20	FY21	FY22	FY23E	FY24E
AUM	15.1	26.1	33.6	17.5	16.5	16.5
Operating income	8.1	1.7	28.9	2.7	7.7	7.7
EBITDA	-6.4	35.9	43.3	3.0	9.2	9.2
Net profit	-8.3	51.9	39.8	5.4	8.5	8.5
Net worth	0.4	21.5	-6.0	25.5	14.0	13.3
EPS	-8.3	51.8	39.5	5.4	8.5	8.5

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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