

# Computer Age Management Services (COMAGE)

CMP: ₹ 2058

Target: ₹ 2400 (17%)

Target Period: 12 months

May 8, 2023

## Non-MF revenue on track; regulatory overhang weighs

**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

**Q4FY23 Results:** Steady quarter; net flows continue to remain positive.

- Revenue from operations was up 2.5% YoY, 2.3% QoQ to ₹ 249 crore on account of moderate volume growth
- EBITDA was largely flattish on a sequential basis (up 0.5 YoY) at ₹ 117 crore; margins declined 156 bps YoY at ~46%
- PAT was at ₹ 74.4 crore, largely flat YoY, QoQ as margins declined

**What should investors do?** CAMS' share price has remained volatile in the recent past and offers a good entry opportunity. Leadership in the mutual fund business remains a play on the AMC industry. Focus on non-MF streams (AIF, insurance repository, payment aggregator) to aid growth and diversification. However, anticipated reduction in TER remains a near term overhang.

- Thus, we upgrade our rating on the stock from HOLD to **BUY**

**Target Price and Valuation:** We value CAMS at ~31x FY25E EPS and revise our target price from ₹ 2500 to ₹ 2400 per share.

### Key triggers for future price performance:

- Given the huge growth opportunity, CAMS being market leader in duopoly RTA segment augur well to benefit from structural sustained growth
- Opex (tech, business promotion, etc) to remain controlled and aid margins
- Higher share of non-MF revenue to aid overall revenue growth and diversification. Higher contribution from non-MF business to aid valuation
- Awaiting clarity of reduction in TER and its impact on yields

**Alternate Stock Idea:** Apart from CAMS, in our coverage we also like HDFC AMC.

- HDFC AMC is among the largest and profitable mutual funds with a QAAUM of ~₹ 4.4 lakh crore as on March 2023
- BUY with a target price of ₹ 2050

**BUY**



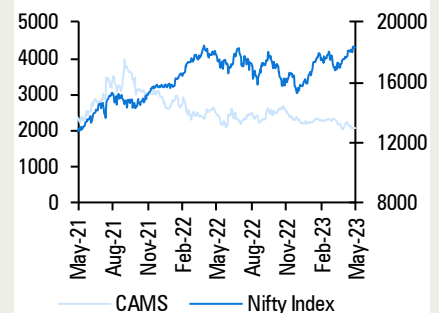
### Particulars

Particulars	Amount
Market Capitalisation	₹ 10083 crore
Equity Capital	₹ 49 crore
Face value	₹ 10
52 week H/L	2689 /2002

### Shareholding pattern

(in%)	Mar-22	Jun-22	Sept-22	Dec-22	Mar-23
Promoter	23.8	23.7	19.9	19.9	19.9
FII	29.0	29.3	33.2	32.7	35.0
DII	14.7	14.7	14.9	13.7	12.9
Others	32.6	32.3	32.0	33.7	32.2

### Price Chart



### Recent Event & Key risks

- Market share maintained at ~68%.
- **Key Risk:** (i) Slower pick-up in volumes (ii) Regulatory risk may impact yields

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### Key Financial Summary

(₹ crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-FY23)	FY24E	FY24E	2 year CAGR (FY23-25E)
Revenue	721.3	735.3	926.9	998.6	11.5%	1100.1	1208.8	10.0%
EBITDA	286.6	296.0	424.1	421.2	13.7%	487.2	556.4	14.9%
PAT	172.4	205.3	286.9	285.1		333.2	386.1	
EPS (₹)	35.3	42.1	58.7	58.2		68.0	78.8	
Managed AUM (₹ lakh crore)	18.2	20.0	26.7	28.0		31.0	34.5	
RoCE (%)	46.0%	72.2%	57.5%	46.2%		51.3%	52.1%	
P/E (x)	58.2	48.9	35.1	35.4		30.3	26.1	

## Key takeaways of recent quarter & conference call highlights

### Q4FY23 Results: Steady performance

- Net flows during the quarter remain positive. Overall AUM was at ₹ 28 lakh crore, up 5.1% YoY, 0.7% QoQ (vs. industry growth at 5.9% YoY, 0.6% QoQ)
- Growth in total AAUM was mainly driven by equity. Equity component was at 46.4% of the asset mix (41.2% in Q4FY22 and 46.4% in Q3FY23)
- Asset based revenue was up 3.3% YoY and 0.2% QoQ. Non-asset based revenue de grew 5.5% YoY, 5.3% QoQ. Non-MF revenue was up 7.7% YoY and 18.6% QoQ
- Transactions volume increased 6% QoQ and 8% YoY at ₹ 12.4 crore. SIP book was at ₹ 3.54 crore, with overall increase of 18% YoY, 4% QoQ
- Live investor folios were at 5.74 crore, up 11% YoY, 3% QoQ. Unique investor serviced was at 2.57 crore, with overall increase of 12% YoY, 4% QoQ

### Q4FY23 Earnings Conference Call highlights

- FY24 Guidance - Margins at ~40%, daily API hits to grow 2x
- Growth in total transaction volumes was driven by SIP transactions (primarily led by retail participation)
- Non asset based revenue growth was driven by growth in allied services (MF central, application services)
- Non MF revenues were driven by AIF vertical and payments. It is expected to show strong traction led by increased mandates. Non-MF share in overall revenues to increase from 11% (currently) to ~15%
- The Alternatives business grew 21% YoY led by accelerated signings and rapid adoption
- Yields saw marginal pressure due to telescopic pricing, change in equity-debt mix and discounts given to some customers. The management will remain watchful on TER regulation
- Esop charge during the year was ₹ 26.7 crore vs. ₹ 25.3 crore in FY22. This is expected to decline to ₹ 14 crore in FY24E (excluding any new plan announced in FY24E)
- Opex - ~₹ 60 lakh spent on marketing during the quarter. Overall increase in opex was largely on account of business promotion activities, increase in travel, etc. For FY24E, opex is expected to remain flat
- Debt MF – April 2023 saw net sales of ₹ 9000-10000 crore mainly driven by retail
- Loan against insurance platform to go live in H2FY24

## Peer comparison

Exhibit 1: Peer Comparison

Sector / Company	CMP			M Cap		EPS (₹)				P/E (x)			P/ABV (x)			RoE (%)				
	₹	TP(₹)	Rating	₹ bn	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
HDFC AMC (HDFAMC)	1,840	2,050	Buy	392	66.4	67.9	72.5	80.8	27.7	27.1	25.4	22.8	7.0	6.3	5.9	5.5	25.2	23.3	23.2	24.0
Nippon AMC (RELNIP)	236	270	Hold	147	12.0	11.6	12.6	13.8	19.7	20.3	18.7	17.1	4.2	4.2	4.1	4.0	17.0	14.2	15.4	16.8
Computer Age Management Services (CAMS)	2,058	2,400	Buy	100	58.7	58.2	68.0	78.8	4.0	4.1	3.5	3.0	1.8	1.5	1.4	1.2	44.3	36.5	40.2	40.9
MCX	1,378	1,700	Buy	70	28.2	31.1	46.9	59.8	49.2	44.6	29.6	23.2	5.0	4.8	4.1	3.5	10.1	10.8	14.0	15.1

Source: Company, ICICI Direct Research

**Exhibit 2: Variance Analysis**

	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ	Comments
Revenue	249.2	243.2	2.5	243.6	2.3	Led by moderate growth in volumes
Yield (bps)	3.6	3.6	▼ -8 bps	3.5	▼ 6 bps	
Other income	7.9	4.3	85.4	7.1	11.3	
Total income	257.1	247.4	3.9	250.6	2.6	
Operating expenses	140.1	131.0	7.0	135.4	3.5	
EBIDTA (incl other income)	117.0	116.4	0.5	115.3	1.5	Subdued revenue kept EBITDA largely flat
EBITDA margin (%)	45.5	47.0	▼ -156 bps	46.0	▼ -50 bps	
Depreciation	16.4	15.7	4.5	15.5	5.7	
Interest	2.0	1.8	13.4	2.0	2.0	
PBT	98.6	98.9	▼ -0.4	97.8	0.8	
Tax	24.2	25.1	-3.7	24.2	-0.2	
PAT	74.4	73.8	0.7	73.6	1.1	Earnings largely steady
Total AUM served	2800000	2670000	4.9	2780000	0.7	Market share largely steady at ~68%
Equity	1300000	1100000	18.2	1290000	0.8	
Debt	1500000	1570000	-4.5	1490000	0.7	
Total transaction volume (Nos. Cr)	12.4	11.5	7.6	11.7	6.2	Growth in transaction volumes continues to remain subdued

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

	FY24E			FY25E		
	Old	New	Change %	Old	New	Change %
Total revenue	1069.3	1070.6	0.1	1179.8	1175.5	-0.4
EBIDTA	490.9	487.2	-0.8	565.8	556.4	-1.7
PAT	336.7	333.2	-1.0	392.7	386.1	-1.7
AAUM served (Lakh cr)	33.5	31.0	-7.6	38.3	34.5	-10.0

Source: Company, ICICI Direct Research

## Financial summary

### Exhibit 4: Profit and loss statement ₹ crore

Particulars (in ₹ crore)	FY21	FY22	FY23	FY24E	FY25E
Revenue From Operations	705	910	972	1,071	1,176
Other Income	30	17	27	29	33
<b>Total Income</b>	<b>735</b>	<b>927</b>	<b>999</b>	<b>1,100</b>	<b>1,209</b>
Employee benefits expense	262	322	358	386	416
Finance costs	7.9	7.1	7.1	7.1	7.1
Depreciation expense	43	52	60	62	64
Other operating expenses	147	164	193	197	203
<b>Total Expenses</b>	<b>461</b>	<b>544</b>	<b>618</b>	<b>653</b>	<b>691</b>
PBT	274	383	381	447	518
Tax	69	96	96	114	132
<b>PAT</b>	<b>205</b>	<b>287</b>	<b>285</b>	<b>333</b>	<b>386</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Key Ratios

(Year-end March)	FY21	FY22	FY23	FY24E	FY25E
No. of shares (crore)	4.9	4.9	4.9	4.9	4.9
BV (₹)	105.7	132.4	159.6	169.0	192.6
EPS (₹)	42.1	58.7	58.2	68.0	78.8
P/E (x)	48.9	35.1	35.4	30.3	26.1
P/BV	19.5	15.5	12.9	12.2	10.7
P/AUM (%)	0.4%	0.4%	0.4%	0.3%	0.3%
RoCE (%)	72.2%	57.5%	46.2%	51.3%	52.1%
RoE (%)	39.8%	44.3%	36.5%	40.2%	40.9%
EBITDA Margin (%)	46.6%	46.6%	43.3%	45.5%	47.3%
Dividend yield (%)	3.1	1.9	2.4	2.5	2.9

Source: Company, ICICI Direct Research

### Exhibit 6: Balance sheet ₹ crore

	FY21	FY22	FY23	FY24E	FY25E
<b>Assets</b>					
Property, plant and equipment	139	154	169	178	186
Intangible assets	145	160	163	172	180
Investments	1	-	-	-	-
Other non-current assets	24	25	35	37	40
<b>Total Non Current Assets</b>	<b>309</b>	<b>339</b>	<b>367</b>	<b>386</b>	<b>406</b>
Investments	236	317	330	356	385
Cash and cash equivalents	180	151	220	198	178
Other current assets	117	151	180	223	333
<b>Total current assets</b>	<b>533</b>	<b>618</b>	<b>730</b>	<b>778</b>	<b>896</b>
<b>Total Assets</b>	<b>842</b>	<b>957</b>	<b>1,098</b>	<b>1,164</b>	<b>1,302</b>

#### Equity & Liabilities

Share Capital	49	49	49	49	49
Reserves & Surplus	467	599	733	779	895
<b>Total Equity</b>	<b>516</b>	<b>648</b>	<b>782</b>	<b>828</b>	<b>944</b>
Non Controlling Interest	-	-	1	-	-
Other financial liabilities	65	63	75	80	86
Provisions & other	75	73	72	77	82
<b>Total Non current liabilities</b>	<b>139</b>	<b>136</b>	<b>147</b>	<b>157</b>	<b>168</b>
Trade payables	53	49	47	50	54
Other current Liabilities	134	125	121	129	136
<b>Total Current Liabilities</b>	<b>187</b>	<b>174</b>	<b>168</b>	<b>179</b>	<b>190</b>
<b>Total Equity and Liabilities</b>	<b>842</b>	<b>957</b>	<b>1,098</b>	<b>1,164</b>	<b>1,302</b>

Source: Company, ICICI Direct Research

### Exhibit 7: Growth (%)

(Year-end March)	FY21	FY22	FY23	FY24E	FY25E
AUM	10.1	33.6	4.9	10.6	11.3
Operating income	0.8	28.9	6.8	10.2	9.8
EBITDA	3.3	43.3	-0.7	15.7	14.2
Net profit	19.1	39.8	-0.6	16.9	15.9
Net worth	-6.0	25.5	20.7	5.9	14.0
EPS	19.0	39.5	-0.8	16.9	15.9

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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