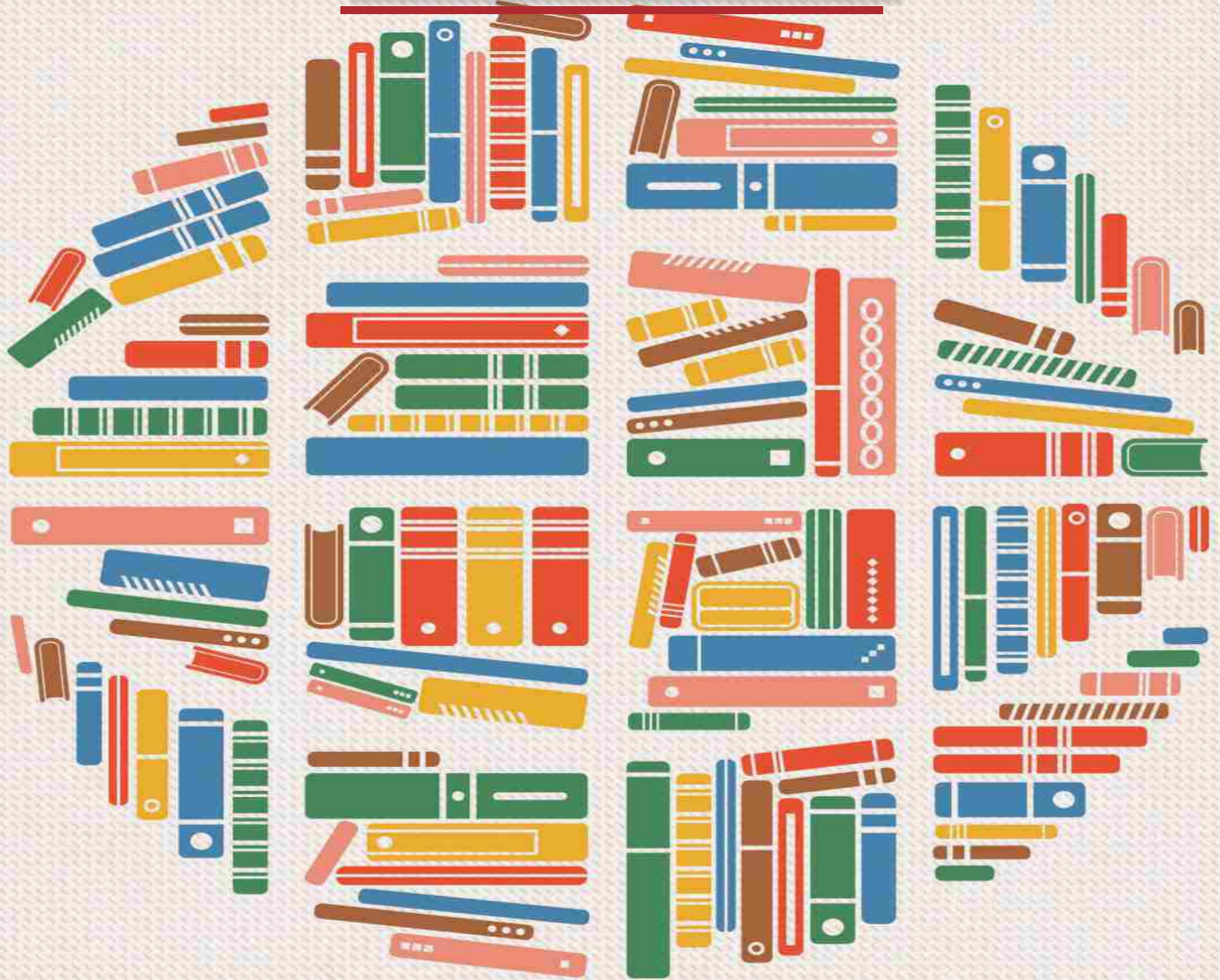


# Stock **TALES**



**Stock Tales** are concise, holistic stock reports across wider spectrum of sectors. Updates will not be periodical but based on significant events or change in price.



CMP: ₹ 1780

Target: ₹ 2100 (18%)

Target Period: 12 months

March 26, 2021

BUY

## Play on structurally growing Indian MF industry...

Computer Age Management Services (CAMS) is India's largest registrar & transfer agent (RTA) of mutual funds with ~70% market share of MF AUM. CAMS provides a comprehensive portfolio of technology-based services, such as transaction origination interface, execution, payment, settlement, record keeping, commission computation and compliance related services.

CAMS is also engaged in RTA services to alternative investment funds (AIFs), acts as insurance repository, account & payment aggregator and CRA for NPS. Great Terrain, an affiliate of Warburg Pincus, is the current promoter of CAMS with ~31% stake while other marquee shareholders include HDFC Bank (3.33% stake) and HDFC Ltd (5.99% stake).

## Near monopoly as RTA in growing Indian AMC sector

Under penetration and increasing financialisation are expected to drive MF AUM, which is anticipated to grow at 12-15% CAGR in FY21-25E. **Leadership in RTA business with ~70% share in a duopoly market with high entry barrier puts CAMS in a uniquely advantageous position.** Technology expertise, client integration & relation act as a moat making CAMS a play on the Indian MF industry. With revenue based on percentage of managed AUM, topline is seen following AUM growth at ~12% CAGR in FY21-23E.

## Core business growth steady; new products long term drivers

Focus on technology, longstanding client relationship & development of proprietary application to drive growth in core business. New products like insurance registry, RTA for AIFs, account management, CRA for NPS (refer Exhibit 11) are at a nascent stage with potential to drive future earnings.

## Consistent performance; high RoCE favour premium valuation

CAMS posted healthy growth in revenue, EBITDA at 13%, 16% CAGR, respectively, in FY15-20, while operating efficiency led to higher RoE at ~30%. Resurgence of MF flow, digitisation, cost rationalisation to drive earnings at 13.4% CAGR in FY21-23E with RoE improving to ~38%. **Higher equity AUM growth of 18-19% CAGR to dilute impact of yield reduction.**

## Valuation & Outlook

CAMS is a structural growth story with opportunity to participate in relatively under penetrated and high potential Indian asset management market. It is a proxy to the growing mutual fund industry with high RoE. Technological expertise, long standing client relation and leadership in duopoly RTA market with entry barriers remain key business strengths. We expect PAT to grow at 13.4% CAGR in FY21-23E to ₹ 259 crore and RoE at ~38%. Valuing the stock at ~40x FY23E PAT, we arrive at a **BUY** recommendation with target price of ₹ 2100/share.

**Key business risk:** Growth and profitability is dependent on AUM size & mix. Information technology disruption would impact operations. High dependence on few clients leads to concentration risk.

### Key Financial Summary

(₹ crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY21-23E)
Revenue	711.7	721.3	721.3	816.1	902.9	11.9%
EBITDA	217.9	287.1	293.2	336.1	367.8	12.0%
PAT	135.2	172.7	201.4	229.2	259.0	13.4%
EPS (₹)	27.7	35.4	41.3	47.0	53.1	
Managed AUM (₹ lakh crore)	15.8	18.2	19.7	22.5	25.8	
RoCE (%)	41.2%	43.7%	47.6%	49.0%	47.9%	
P/E (x)	64.2	50.3	43.1	37.9	33.5	

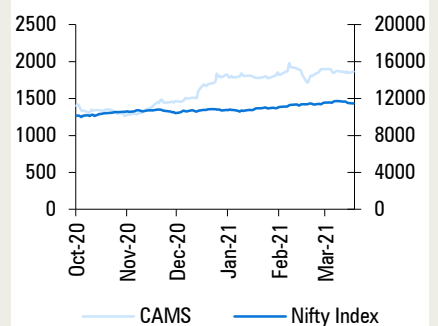
Source: Company, ICICI Direct Research



### Particulars

Particulars	Amount
Market Capitalisation	₹ 8680 crore
Equity Capital	₹ 49 crore
Networth	₹ 490 crore
Face value	₹ 10
52 week H/L	2040/1260
DII holding (%)	14.0
FII holding (%)	22.0

### Price performance



### Key Highlights

- Leader in duopoly RTA market and ramping up of new products to drive earnings
- Valuing the stock at ~40x FY23E EPS, recommend BUY with target price of ₹ 2100

### Research Analyst

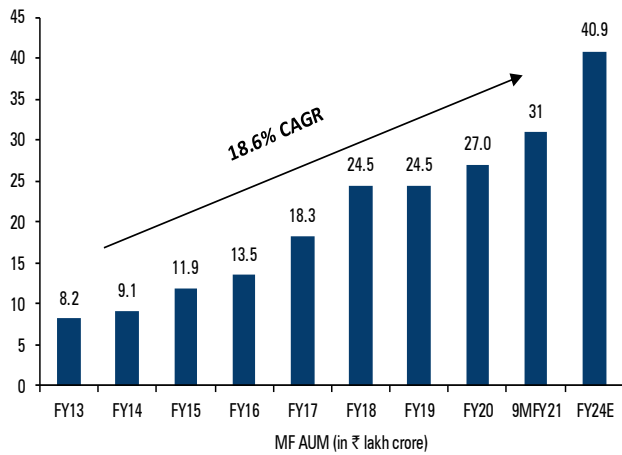
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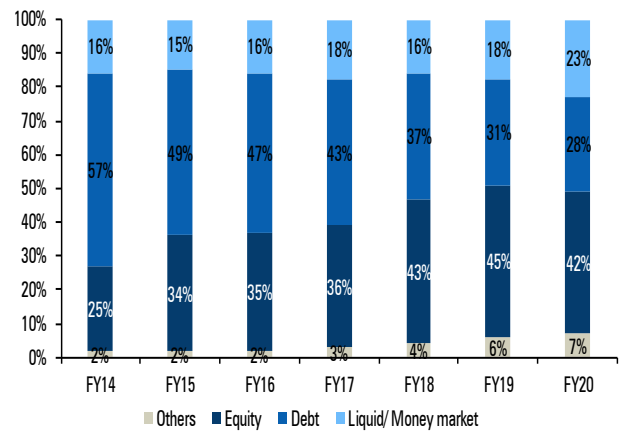
Industry snapshot

Exhibit 2: Resurgence in MF flow to aid RTA business



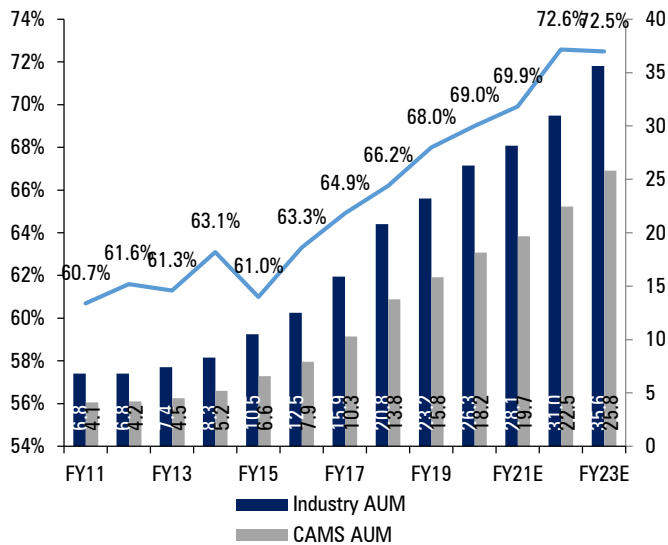
Source: Company, ICICI Direct Research

Exhibit 3: Equity AUM to grow at faster pace



Source: Company, ICICI Direct Research

Exhibit 4: CAMS remains leader with increase in share



Source: Company, ICICI Direct Research

Exhibit 5: RTA revenue as % of managed AUM

	Mar-15	Mar-17	Mar-19	Mar-20
Equity funds	0.075%	0.067%	0.062%	0.059%
Hybrid	0.078%	0.061%	0.060%	0.060%
Debt	0.024%	0.022%	0.022%	0.022%
Liquid	0.033%	0.020%	0.020%	0.020%
Others	0.043%	0.024%	0.016%	0.015%

Source: Company, ICICI Direct Research

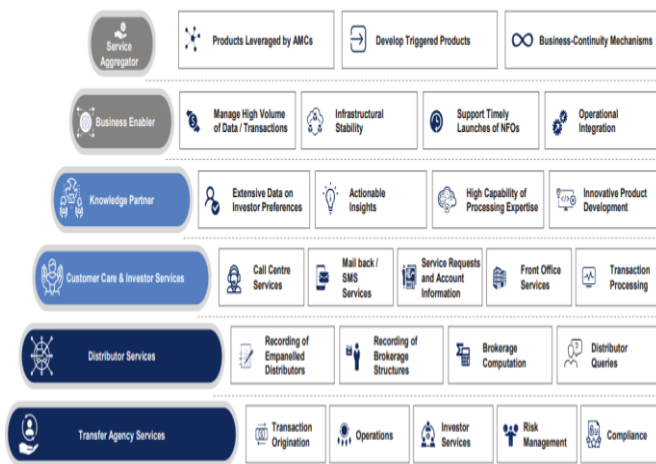
Exhibit 6: CAMS remains market leader with ~70% market share as of February 2021

MFs serviced by CAMS	AUM (₹ lakh crore)	Market Share (%)	MFs serviced by KFin	AUM (₹ lakh crore)	Market Share (%)
SBI MF	500714	16%	Nippon India MF	231703	7%
HDFC MF	414481	13%	Axis MF	194647	6%
ICICI Pru MF	421145	13%	UTI MF	180599	6%
Aditya Birla SL MF	268576	8%	Mirae MF	70264	2%
Kotak MF	233403	7%	Edelweiss MF	51024	2%
IDFC MF	120210	4%	Invesco MF	36885	1%
DSP MF	97309	3%	Sundaram MF	32095	1%
Franklin Templeton MF	79983	2%	Canara Robeco MF	28674	1%
L&T MF	71233	2%	Motilal Oswal MF	27406	1%
Tata MF	61612	2%	LIC MF	16906	1%
Others	32060	1%	Others	48589	2%
<b>Total AUM</b>	<b>2300727</b>	<b>71%</b>		<b>918793</b>	<b>29%</b>
<b>Number of clients</b>	<b>17</b>	<b>41%</b>		<b>24</b>	<b>59%</b>

Source: Company, AMFI, ICICI Direct Research

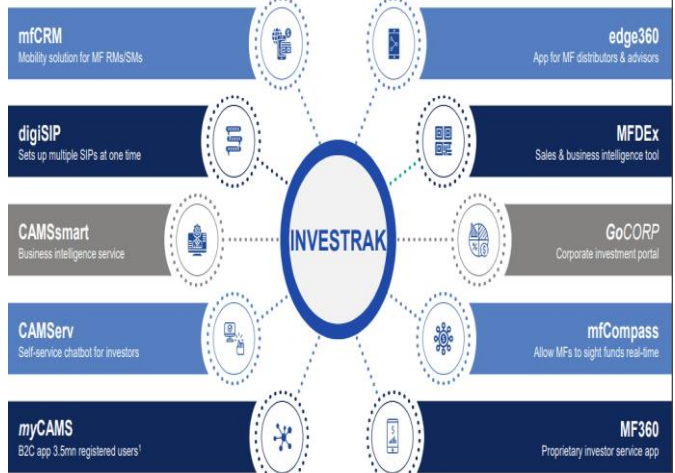
Business Snapshot

Exhibit 7: CAMS provides full backend service



Source: Company, ICICI Direct Research

Exhibit 8: Software & apps to facilitate online services



Source: Company, ICICI Direct Research

Exhibit 9: Revenue model of CAMS

in ₹ lakh crore	FY19	FY20	FY21E	FY22E	FY23E
MF industry AUM	23	26	28	31	36
Market Share (%)	68.0%	69.0%	69.9%	72.6%	72.5%
AUM managed by CAMS	15.8	18.2	19.7	22.5	25.8
Equity AUM	6.2	6.7	7.0	8.1	9.7
Non equity AUM	9.6	11.4	12.7	14.4	16.1
Yields (%)	4.4	3.9	3.5	3.5	3.3
Equity	6.2	5.9	5.6	5.5	5.3
Non equity	3.2	2.7	2.4	2.4	2.2
Operational income	694	700	690	785	863
Other income	18	22	31	31	40
<b>Total Revenue</b>	<b>712</b>	<b>721</b>	<b>721</b>	<b>816</b>	<b>903</b>
Growth (%)	7.6%	1.4%	0.0%	13.1%	10.6%

Source: Company, ICICI Direct Research

Exhibit 10: Huge digital ability to cater to customers

	FY18	FY19	FY20	9MFY21
Total AAUM serviced (₹ lakh crore)	13.8	15.8	18.2	19.2
Number of transactions handled (in crore)	25.0	31.3	32.8	23.8
Number of live folios (crore)	3.2	3.7	3.9	4.0
Number of PAN accounts handled (crore)	1.2	1.5	1.5	1.6
Number of SIP transactions processed (crore)	13.2	19.2	23.8	20.4

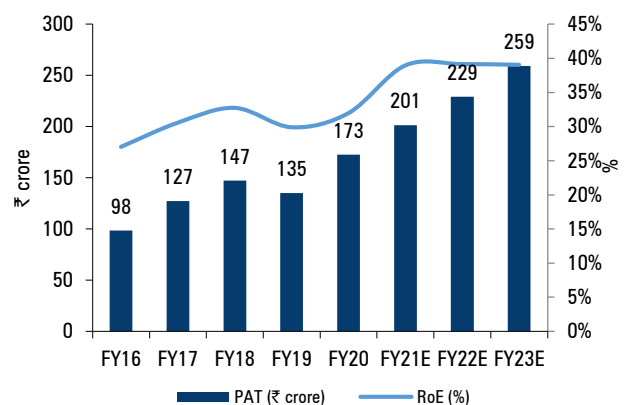
Source: Company, ICICI Direct Research

Exhibit 11: New products in nascent stage to drive earnings

Product	Description
CAMS Finserv	CAMS provides a mechanism through which collated financial information of a client is shared with authorised financial information user digitally
CAMSPay	CAMS Payment Services Private Limited, a wholly owned subsidiary of CAMS, provides end to end highly automated National Automated Clearing House platform (NACH) that supports electronic payments through National Payments Corporation of India (NPCI)
CAMS NPA	CAMS has been selected as CRA for New Pension Scheme (NPS) wherein services related to maintenance of records of NPS customers is to be undertaken
AIF (Alternate Investment Fund)	CAMS provides functions such as managing records and performing fund accounting and reporting, for AIF and other types of funds. As on December 2020, CAMS serviced 82 AIF clients with an AAUM of ₹ 15945 crore
Insurance repository	CAMS offers a range of services including processing of new business applications, servicing policies, holding policies in demat form and other support functions to insurance companies. With 29 lakh policies, it has ~39% market share
KYC Registration Agency (KRA)	Verification and maintenance of KYC records of investors for use by financial institutions, facilitate uploading new KYC data and entering data for new KYC applicants

Source: Company, ICICI Direct Research

Exhibit 12: Consistent and sustained earnings



Source: Company, ICICI Direct Research

## Financial summary

**Exhibit 13: Profit and loss statement** ₹ crore

Particulars (in ₹ crore)	FY19	FY20	FY21E	FY22E	FY23E
Revenue From Operations	694	700	690	785	863
Other Income	18	22	31	31	40
<b>Total Income</b>	<b>712</b>	<b>721</b>	<b>721</b>	<b>816</b>	<b>903</b>
Employee benefits expens	275	258	256	287	318
Finance costs	0.3	9.9	8.9	8.4	7.9
Depreciation expense	28	51	47	49	50
Other operating expenses	201	155	141	162	176
<b>Total Expenses</b>	<b>504</b>	<b>474</b>	<b>453</b>	<b>506</b>	<b>553</b>
PBT	207	248	268	310	350
Tax	72	75	67	81	91
<b>PAT</b>	<b>135</b>	<b>173</b>	<b>201</b>	<b>229</b>	<b>259</b>

Source: Company, ICICI Direct Research

**Exhibit 15: Balance sheet** ₹ crore

	FY19	FY20	FY21E	FY22E	FY23E
<b>Assets</b>					
Property, plant and equipme	168	177	150	158	166
Intangible assets	152	152	152	152	152
Investments	2	2	2	2	2
Other non-current assets	37	40	43	46	49
<b>Total Non Current Assets</b>	<b>359</b>	<b>370</b>	<b>347</b>	<b>357</b>	<b>368</b>
Investments	230	288	259	280	302
Cash and cash equivalents	44	47	154	161	169
Other current assets	102	142	85	137	196
<b>Total current assets</b>	<b>377</b>	<b>476</b>	<b>497</b>	<b>578</b>	<b>668</b>
<b>Total Assets</b>	<b>736</b>	<b>847</b>	<b>844</b>	<b>935</b>	<b>1,036</b>
<b>Equity &amp; Liabilities</b>					
Share Capital	49	49	49	49	49
Reserves & Surplus	403	491	468	537	614
<b>Total Equity</b>	<b>460</b>	<b>540</b>	<b>517</b>	<b>585</b>	<b>663</b>
Non Controlling Interest	8	-	-	-	-
Other financial liabilities	109	116	125	133	143
Provisions	71	76	81	87	93
<b>Total Non current liabilitye:</b>	<b>180</b>	<b>193</b>	<b>206</b>	<b>220</b>	<b>236</b>
Trade payables	35	37	40	42	45
Other current Liabilities	73	77	82	87	92
<b>Total Current Liabilities</b>	<b>107</b>	<b>114</b>	<b>122</b>	<b>129</b>	<b>138</b>
<b>Total Equity and Liabilities</b>	<b>736</b>	<b>847</b>	<b>844</b>	<b>935</b>	<b>1,036</b>

Source: Company, ICICI Direct Research

**Exhibit 14: Key Ratios**

	FY19	FY20	FY21E	FY22E	FY23E
No. of shares (crore)	4.9	4.9	4.9	4.9	4.9
BV (₹)	94.3	110.7	105.9	120.1	136.0
EPS (₹)	27.7	35.4	41.3	47.0	53.1
P/E (x)	64.2	50.3	43.1	37.9	33.5
P/BV	18.9	16.1	16.8	14.8	13.1
P/AUM (%)	0.5%	0.5%	0.4%	0.4%	0.3%
RoCE (%)	41.2%	43.7%	47.6%	49.0%	47.9%
RoE (%)	29.4%	32.0%	39.0%	39.2%	39.1%
EBITDA Margin (%)	31.4%	41.0%	42.5%	42.8%	42.6%
Dividend yields (%)	1.2	1.1	2.9	1.6	1.8

Source: Company, ICICI Direct Research

**Exhibit 16: Growth trajectory (%)**

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E
AUM	15.1	14.6	8.4	14.2	14.9
Operating income	8.1	0.9	-1.4	13.7	9.9
EBITDA	-6.4	31.8	2.1	14.6	9.4
Net profit	-8.3	27.8	16.6	13.8	13.0
Net worth	0.5	17.3	-4.3	13.3	13.3
EPS	-8.3	27.8	16.6	13.8	13.0

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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