

Base business steady; new products to add gradually

CAMS posted a steady set of numbers in terms of business growth, which was in line with industry. A similar performance was reflected in its topline growth while cost controls and reduced tax boosted bottomline.

For CAMS, average assets under management (AAUM) serviced increased 19.2% YoY, 7.3% QoQ to ₹ 22.3 lakh crore, largely in line with the industry AAUM growth of 18.9% YoY. Equity AAUM increased 18.5% YoY, 12.1% QoQ to ₹ 7.9 lakh crore (calculated) while debt AAUM surged 19.6% YoY to ₹ 14.4 lakh crore. On a sequential basis, equity asset mix increased marginally by 1% to 35%.

Transaction volume growth rose 5% QoQ to ~8.2 crore vs. flattish growth of 1% in previous quarter. SIP book rose 5% QoQ to ~2.1 crore while number of SIP transactions processed was up 5% QoQ to ~6.1 crore. Increasing traction in various business parameters has enabled CAMS to maintain its dominant position with a market share of 70.1% in MF servicing.

Revenue from operation was up 14.3% YoY to ₹ 199.8 crore. This was slower than AAUM serviced growth due to a fall in non-MF revenue. Growth in asset based revenue was 18.5% YoY, in line with AAUM growth. Non-MF revenue declined 15.9% YoY due to winding up of banking and NBFC outsourcing business while account aggregator business is yet to kick off. MF's share in total revenue is up to 90% now. Steady yields amid marginal increase in equity mix implies static pricing without any meaningful downward revision. Cost were kept under control while EBIDTA margin was largely stable at 45.7% vs. 45.9% QoQ. PAT came in at ₹ 60.1 crore, up 39.6% YoY, partly driven by a lower tax rate regime.

The company will continue to invest in technology and security in order to improve process efficiency while it has also strengthened senior management team by adding a Chief Risk Officer and Chief Platform Officer to improve execution capabilities. During the current quarter, the company signed a letter of intent with 15 entities for account aggregators business.

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 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. Technology spends and investment in new businesses are expected to limit improvement in EBITDA but a gradual pick-up in new businesses (account aggregator & CRA for National Pension Scheme) are expected to drive performance. We expect PAT to grow at 14% CAGR in FY21-23E to ₹ 267 crore with RoE at ~40%. We prefer platform oriented businesses with market leadership. Therefore, we revise our target price to ₹ 2800/share (earlier ₹ 2100), valuing the stock at ~51x FY23E EPS. We maintain **BUY**.

Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Revenue	711.7	721.3	735.3	830.3	921.6	12.0%
EBITDA	217.9	286.6	296.0	338.9	382.3	13.6%
PAT	135.2	172.4	205.3	233.7	267.0	14.0%
EPS (₹)	27.7	35.3	42.1	47.9	54.7	
Managed AUM (₹ lakh crore)	15.8	18.2	20.0	22.8	26.3	
RoCE (%)	41.9%	42.9%	49.0%	50.1%	50.4%	
P/E (x)	87.3	68.5	57.5	50.5	44.2	

Source: Company, ICICI Direct Research



Particulars

Particulars	Amount
Market Capitalisation	₹ 11823 crore
Equity Capital	₹ 49 crore
Networth	₹ 516 crore
Face value	₹ 10
52 week H/L	2620 / 1971
DII holding (%)	24.0
FII holding (%)	24.0

Key Highlights

- AAUM jumps 19.2% YoY to ₹ 22.3 lakh crore
- Maintains dominant leadership position with 70.1% market share
- Prefer platform oriented business; Maintain BUY with revised target price of ₹ 2800

Key risks

- Slower than anticipated pick-up in new businesses to impact growth
- Decline in yields in equity and debt segment may impact profitability

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Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	Comments
Revenue	199.8	174.8	14.3	186.0	7.4	Revenue has followed growth in AUM serviced
Yield (bps)	3.6	3.7	▼ -4.1	3.6	0.2	
Other income	4.2	3.7	13.4	6.4	-34.9	
Total income	203.9	178.4	14.3	192.3	6.0	
Operating expenses	110.7	95.4	16.1	104.0	6.4	
EBIDTA (incl other income)	93.2	83.1	12.2	88.3	5.5	Healthy revenue led to growth in EBITDA
EBITDA margin (%)	45.7	46.6	▼ -86 bps	45.9	▼ -21 bps	
Depreciation	10.6	13.2	-19.6	10.8	-1.4	
Interest	1.7	2.4	-28.1	2.0	-10.4	
PBT	80.9	67.5	19.8	75.6	6.9	
Tax	20.7	24.4	-15.0	19.2	8.2	
PAT	60.1	43.1	39.6	56.5	6.5	Topline growth, lower tax led to uptick in earnings
Total AUM served	2230000	1870805	19.2	2080000	7.2	Growth equally driven by equity and debt segment
Equity	792771	669005	18.5	707200	12.1	
Debt	1437229	1201800	19.6	1372800	4.7	
Total transaction volume (Nos. Cr)	8.6	8.4	2.0	8.2	4.8	

Source: Company, ICICI Direct Research

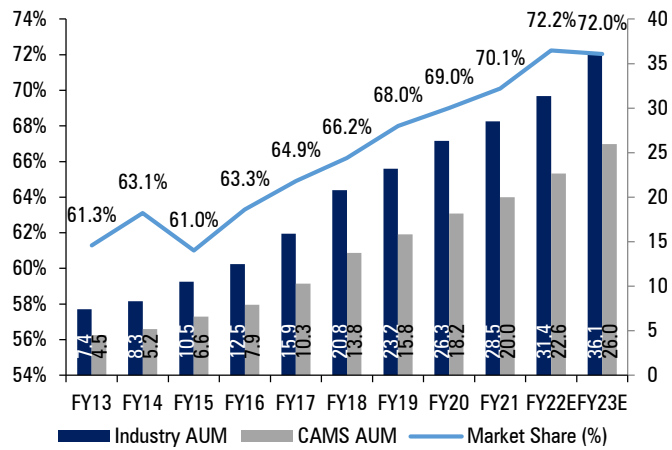
Exhibit 2: Change in estimates

	FY22E			FY23E		
	Old	New	Change %	Old	New	Change %
Total revenue	816.1	800.7	-1.9	902.9	889.8	-1.4
EBIDTA	336.1	338.9	0.8	367.8	382.3	3.9
PAT	229.2	233.7	2.0	259	267.0	3.1
AAUM served (Lakh cr)	22.5	22.8	1.2	25.8	26.3	1.9

Source: Company, ICICI Direct Research

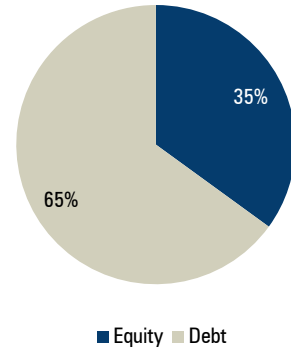
Story in charts

Exhibit 3: Market share to remain buoyant



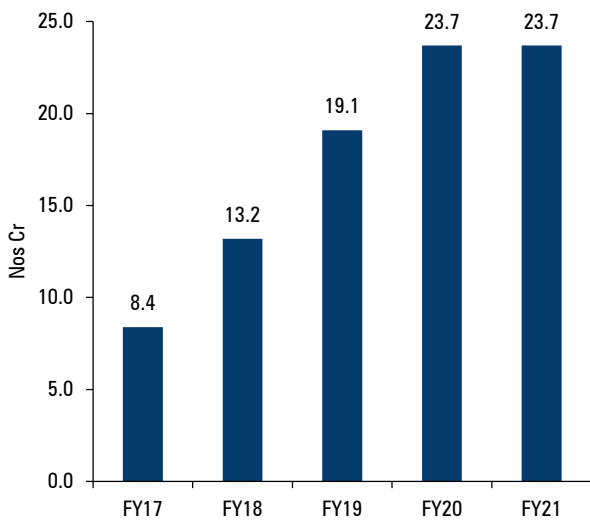
Source: Company, ICICI Direct Research

Exhibit 4: AAUM break up for CAMS



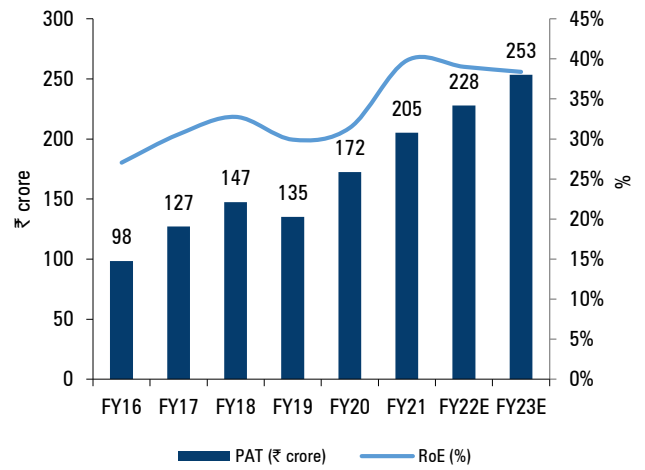
Source: Company, ICICI Direct Research

Exhibit 5: SIP transaction processed back to previous level



Source: Company, ICICI Direct Research

Exhibit 6: Healthy profitability to be maintained



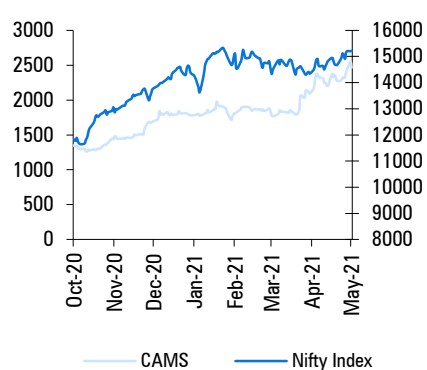
Source: Company, ICICI Direct Research

Exhibit 7: Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21
Promoter	31.0	31.0	31.0
FII	8.7	22.1	24.0
DII	32.2	26.3	24.0
Others	28.2	20.6	21.0

Source: Company, ICICI Direct Research

Exhibit 8: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 9: Profit and loss statement ₹ crore

Particulars (in ₹ crore)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue From Operations	642	694	700	705	801	890
Other Income	20	18	22	30	30	32
Total Income	661	712	721	735	830	922
Employee benefits expens	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	168	181
Total Expenses	432	504	474	461	515	561
PBT	230	207	247	274	316	361
Tax	82	72	75	69	82	94
PAT	147	135	172	205	234	267

Source: Company, ICICI Direct Research

Exhibit 10: 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	120.1	136.5
EPS (₹)	27.7	35.3	42.1	47.9	54.7
P/E (x)	87.3	68.5	57.5	50.5	44.2
P/BV	26.1	21.5	22.9	20.2	17.7
P/AUM (%)	0.7%	0.7%	0.6%	0.5%	0.4%
RoCE (%)	41.9%	42.9%	49.0%	50.1%	50.4%
RoE (%)	29.9%	31.4%	39.8%	39.9%	40.1%
EBITDA Margin (%)	31.4%	41.0%	42.0%	42.3%	43.0%
Dividend yield (%)	1.2	1.1	2.6	1.2	1.4

Source: Company, ICICI Direct Research

Exhibit 11: 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	225	316
Total current assets	383	473	533	623	720
Total Assets	639	803	841	938	1,041
Equity & Liabilities					
Share Capital	49	49	49	49	49
Reserves & Surplus	403	500	467	537	617
Total Equity	452	549	516	586	666
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	938	1,041

Source: Company, ICICI Direct Research

Exhibit 12: Growth trajectory (%)

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
AUM	15.1	14.6	10.1	14.0	15.5
Operating income	8.1	0.9	0.8	13.5	11.1
EBITDA	-6.4	31.5	3.3	14.5	12.8
Net profit	-8.3	27.5	19.1	13.8	14.2
Net worth	0.4	21.5	-6.0	13.6	13.7
EPS	-8.3	27.5	19.0	13.8	14.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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