

Computer Age Management Services

Quest for green shoots continues; maintain REDUCE

CAMS clocked in-line core revenues at INR2.5bn (+2.4% QoQ); however, the disappointment stemmed from a sharp rise in other opex (+16% QoQ) due to higher marketing spends and regulatory audits, driving sequentially flat core income/PAT to INR0.91bn/0.74bn. Continued market leadership in the duopoly RTA market, sizeable entry barriers, and high switching costs position CAMS favourably; however, we are wary of SEBI's ongoing discussion on further TER cuts that could potentially derail RTAs' medium-term earnings. We trim our FY24E/25E estimates by 3.2/3.4% to factor in higher opex and delayed accruals in non-MF business. Given the sustained pricing pressure and a modest 9.7/16.3% revenue/OP CAGRs over FY23-25E, we maintain REDUCE with a lower TP of INR2,000 (25.5x Mar-25E EV/NOPLAT + Mar-24E cash and investments; roll-forward multiple adjustment from Sep-24E to Mar-25E).

- High opex drives miss:** Core revenues clocked broadly in-line at INR2.5bn (+2.5/+2.3% YoY/QoQ) driven by marginal compression in equity yields (significantly lower than the yield compression reported by listed AMCs), and healthy non-asset-based MF revenue growth (+5% QoQ) benefiting from sequentially higher volumes. Non-MF segment is gradually gaining traction (+18% QoQ) owing to robust growth in CAMSPay (+25% QoQ) and insurance repository business (+14% QoQ). While staff costs (35% of revs) were flat sequentially (ESOP charges: INR51mn, ~48% moderation expected in ESOP charges in FY24E), other opex shot up 16% QoQ due to higher legal charges, marketing spends, regulatory audit spends, dragging EBITDA margins lower to 43.8% (-66bps QoQ) and APAT to INR0.74bn (+1%/+1% YoY/QoQ, in-line).
- Growth outlook remains hazy:** The management stated that the downward pressure on yields is stemming from the re-pricing of AMC contracts (5-year reset). While operating expenses such as marketing spends, and audit charges are expected to remain sticky, margins are likely to stay soft as revenues from new businesses continue to be back-ended. We are wary of the SEBI's ongoing discussions to further rationalise MF TERs, which will have a bearing on RTAs' realisations and hence, poses a downside risk to the growth outlook.

Financial Summary

(INR bn)	Q4Y23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
Revenues	2.5	2.4	2.5	2.4	2.3	9.1	9.7	10.7	11.7
Operating profits	0.9	0.9	-4.2	0.9	-0.1	3.7	3.5	4.3	4.8
OP margin (%)	36.4	38.9	-255bps	37.2	-87bps	40.2	36.4	39.6	40.9
NOPLAT	0.7	0.7	-3.1	0.7	0.2	2.7	2.7	3.2	3.6
APAT	0.7	0.7	0.7	0.7	1.1	2.9	2.8	3.4	3.8
EV/NOPLAT (x)						35.2	36.1	29.5	26.0
P/E (x)						35.0	35.3	29.4	26.2
ROE (%)						49.3	40.8	42.3	41.2

Source: Company, HSIE Research

Estimate change

(INR bn)	FY24E			FY25E		
	Revised	Old	Change % / bps	Revised	Old	Change % / bps
Revenues	10.7	10.7	0.0	11.7	11.7	0.0
Operating profits (OP)	4.3	4.4	-3.1	4.8	5.0	-3.4
OP margin (%)	39.6	40.8	-126bps	40.9	42.4	-143bps
APAT	3.4	3.5	-3.0	3.8	4.0	-3.2
RoE (%)	42.3	43.2	-86bps	41.2	42.0	-83bps

Source: Company, HSIE Research

REDUCE

CMP (as on 8 May 2023)	INR 2,055
Target Price	INR 2,000
NIFTY	18,264

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,120	INR 2,000
	FY24E	FY25E
EPS %	-3.2%	-3.4%

KEY STOCK DATA

Bloomberg code	CAMS IN
No. of Shares (mn)	49
MCap (INR bn) / (\$ mn)	101/1,231
6m avg traded value (INR mn)	242
52 Week high / low	INR 2,690/2,002

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.1)	(16.1)	(14.3)
Relative (%)	(10.9)	(17.1)	(26.9)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	19.9	19.9
FIs & Local MFs	13.7	12.9
FPIs	32.7	35.0
Public & Others	33.7	32.2
Pledged Shares	Nil	Nil

Source : BSE

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Disclosure:

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