

Estimate change 

 TP change 

 Rating change 
**CMP: INR2,378**
**TP: INR2,800 (+18%)**
**Buy**

### Elevated expenses lead to 5% miss on profitability

- CAMS reported a net profit of INR757m, a growth of 17% YoY. PAT for the quarter fell 5% short of our estimates. The share of Non-MF business improved in 1QFY24 and is expected to continue increasing throughout FY24. Operating revenue reached INR2.6b, up 10.4% YoY and 4.8% QoQ, in line with our estimates.
- Account Aggregator, AIF/PMS RTA and Insurance Repository are likely to be the drivers for growth in the non-MF business share of revenues. With most of the contracts re-negotiated, the company does not expect any large hit in case of any further cuts in TER by the regulator for AMCs.
- **Currently, we have a BUY rating on the stock with a target price of INR2,800 at a P/E multiple of 35x on FY25 earnings.**

### Share of Non-MF business rises to 12.6%

- QAAUM grew 15% YoY to INR 30t. However, equity AUM improved 3.2% YoY to INR 20.6t in 1QFY24.
- The share of the non-MF business in revenue increased to 12.6% in 1QFY24.
- Non-MF revenue improved 45% YoY to INR 329m in 1QFY24. The Alternative Services segment maintained its high growth trajectory, recording ~15% YoY revenue growth in 1QFY24. Revenue from CAMSpay increased 24% YoY in 1QFY24.
- Policy Genie Deep Contact Tracing Solution, uniquely offered by CAMS Insurance Repository, has processed INR 10b unclaimed amount using deep contact tracing. On a sequential basis, revenue share of insurance repository declined to 1.5% in 1QFY24.

### EBIDTA margins improved YoY

- In terms of expenses, employee expenses, operating expenses, and other expenses were higher by 2%, 22%, and 26% YoY, respectively. Overall YoY growth in operating expenses is in line with the growth in revenue.
- EBIDTA came in at INR 1,101m. EBIDTA margin stood at 42.1% in 1QFY24 vs. 41.4% in 1QFY23 and 43.8% in 4QFY23. EBIDTA was 6% lower than our estimates.
- PAT grew 17% YoY and 2% QoQ to INR757m in 1QFY24.

### Key takeaways from the management commentary

- Decline in yields is on account of resetting of commission charges for some large customers. The maximum impact has been accounted for in 1QFY24 and some incremental impact could be seen in 2QFY24. Yields are expected to remain steady post 2QFY24. Outside of the telescopic structure (expect for few resetting AMCs), yields are holding up well.
- CAMS expects ~20% contribution from the non-MF business over the next few years. At an aggregate level, EBIDTA margins stand up at mid to higher 20's (with AIFs in 40s). The margins are expected to scale up gradually.
- CAMS has partnered with Temenos for Multifonds (leading fund administration platform used by 9 out of the top 15 global asset servicers) to bolster service offering to domestic and GIFT city clients.



	CAMS IN
Bloomberg	
Equity Shares (m)	49
M.Cap.(INRb)/(USDb)	116.6 / 1.4
52-Week Range (INR)	2689 / 2002
1, 6, 12 Rel. Per (%)	3/-/12
12M Avg Val (INR M)	325

### Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
AAUM (INR t)	27.3	32.0	36.7
Revenue	9.7	10.7	12.3
EBITDA	4.2	4.7	5.6
Margin (%)	43.3	43.7	45.9
PAT	2.8	3.2	4.0
PAT Margin (%)	29	30	32
EPS	58.1	65.7	80.9
EPS Grw. (%)	-0.8	13.1	23.2
BVPS	159.7	182.5	210.9
RoE (%)	39.8	38.4	41.1
Div. Payout (%)	65.0	65.0	65.0

### Valuations

P/E (x)	40.9	36.2	29.4
P/BV (x)	14.9	13.0	11.3
Div. Yield (%)	1.6	1.8	2.2

### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	19.9	19.9	23.7
DII	11.7	12.9	14.7
FII	35.8	35.0	29.3
Others	32.6	32.2	32.3

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

 Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Valuation and View

- Empirically, CAMS has traded at a premium to listed AMCs in terms of one-year forward P/E. This premium is well deserved, given: 1) the duopoly nature of the industry and high-entry barriers, 2) relatively low risk of a market share loss, and 3) higher customer ownership as compared to AMCs.
- Structural tailwinds in the MF industry shall aid absolute growth in MF revenue. Albeit for any adverse implications from the forthcoming TER regulations, we believe, MF business is well poised to deliver 1.5x nominal GDP growth over the longer term. With favorable macro triggers and right investments, non-MF share of revenues for CAMS is expected to increase to 15% from 10% in the next three to five years.
- Currently, we have a BUY rating on the stock with a target price of INR2,800 at a P/E multiple of 35x on FY25 earnings.

### Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24E	1QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue from Operations	2,366	2,424	2,436	2,492	2,613	2,652	2,692	2,740	9,718	10,697	2,654	-1.6
Change YoY (%)	17.6	6.5	2.5	2.5	10.4	9.4	10.5	9.9	6.8	10.1	12.2	
Employee expenses	933	901	871	876	950	947	961	1,010	3,581	3,867	947.6	0.2
Operating expenses	267	274	282	294	327	310	312	319	1,123	1,269	313.2	4.4
Other Expenses	188	189	200	232	236	217	221	217	803	891	219.0	7.7
Total Operating Expenses	1,388	1,363	1,354	1,401	1,512	1,475	1,494	1,546	5,506	6,027	1,480	2.2
Change YoY (%)	28.2	11.9	8.8	7.0	9.0	8.2	10.4	10.3	13.4	9.5	6.7	
<b>EBITDA</b>	<b>979</b>	<b>1,061</b>	<b>1,082</b>	<b>1,091</b>	<b>1,101</b>	<b>1,178</b>	<b>1,198</b>	<b>1,194</b>	<b>4,212</b>	<b>4,670</b>	<b>1,175</b>	<b>-6.3</b>
Other Income	44	74	71	79	97	95	95	104	268	391	75	29.0
Depreciation	136	147	155	164	165	170	177	183	603	694	174	-5.0
Finance Cost	18	18	20	20	20	19	19	18	76	76	19	6.4
<b>PBT</b>	<b>869</b>	<b>970</b>	<b>978</b>	<b>985</b>	<b>1,012</b>	<b>1,084</b>	<b>1,097</b>	<b>1,098</b>	<b>3,802</b>	<b>4,291</b>	<b>1,057</b>	<b>-4.2</b>
Change YoY (%)	2.3	0.5	-4.4	-0.4	16.4	11.7	12.2	11.4	-0.7	12.9	21.6	
Tax Provisions	223	249	242	242	255	271	274	272	956	1,073	264	-3.4
<b>Net Profit</b>	<b>646</b>	<b>721</b>	<b>736</b>	<b>744</b>	<b>757</b>	<b>813</b>	<b>823</b>	<b>826</b>	<b>2,846</b>	<b>3,218</b>	<b>793</b>	<b>-4.5</b>
Change YoY (%)	2.2	-0.6	-4.9	0.7	17.1	12.7	11.8	11.0	-0.8	13.1	22.6	
<b>Key Operating Parameters (%)</b>												
Revenue / AUM (bps)	3.6	3.6	3.5	3.6	3.5	3.5	3.5	3.5	3.6	3.3	3.5	-0.1
Opex / AUM (bps)	2.1	2.0	1.9	2.0	2.0	1.9	2.0	2.0	2.02	1.88	2.0	0.0
PBT / AUM (bps)	1.3	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.39	1.34	1.4	-0.1
PAT / AUM (bps)	1.0	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.04	1.01	1.1	0.0
Cost to Operating Income Ratio	58.6	56.2	55.6	56.2	57.9	55.6	55.5	56.4	56.7	56.3	55.8	2.1
EBITDA Margin	41.4	43.8	44.4	43.8	42.1	44.4	44.5	43.6	43.3	43.7	44.3	-2.1
PBT Margin	36.7	40.0	40.1	39.5	38.7	40.9	40.8	40.1	39.1	40.1	39.8	-1.1
Tax Rate	25.6	25.6	24.8	24.5	25.2	25.0	25.0	24.8	25.1	25.0	25.0	0.2
PAT Margin	27.3	29.8	30.2	29.8	29.0	30.6	30.6	30.1	29.3	30.1	29.9	-0.9
<b>Opex Mix (%)</b>												
Employee expenses	67.2	66.1	64.4	62.5	62.8	64.2	64.3	65.3	65.0	64.2	64.0	1.3
Operating expenses	19.3	20.1	20.9	21.0	21.6	21.0	20.9	20.6	20.4	21.0	21.2	-0.5
Other Expenses	13.5	13.8	14.8	16.5	15.6	14.7	14.8	14.0	14.6	14.8	14.8	-0.8
<b>Key Parameters</b>												
QAUM (INR b)	26,200	27,100	27,800	28,000	30,000	30,300	30,603	30,909	27,300	32,015	29,960	0.1
Share of Equity AUM (%)	43.1	45.0	46.4	44.3	46.3	46.6	46.6	46.6	45.4	46.5	44.7	1.6



## Key takeaways from the management commentary

### MF business

- CAMS wins RTA mandates from Angel One and Torus Oro Mutual Fund, solidifying its position as the preferred partner for new age AMCs. CAMS has won four out of the last six new to the market MF RTA mandates.
- 1QFY24 was marked with increased QoQ MF AuM share from 68.3% to 68.7%, riding on higher share of net sales in both equity and debt segments. CAMS Share in equity net sales increases from 73% to 99% QoQ and from 37% to 78% QoQ in debt net sale.
- SIP registrations and SIP Inflows reached a life-time high in 1QFY24, added ~2m net SIPs. The new SIP registrations grew 17% QoQ with 65.2% share in 1QFY24.

### Non-MF Business

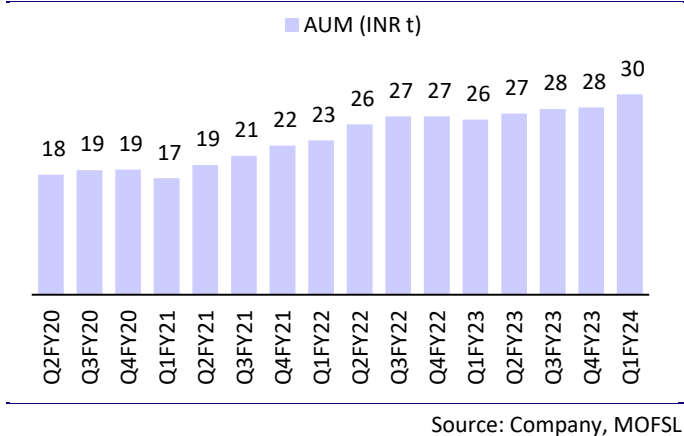
- CAMS expects 20% contribution from the non-MF business over the next two to three years. At an aggregate level, EBIDTA margins stand up at mid to higher 20's (with AIFs in 40s). The margins are expected to scale up gradually.
- CAMS invests ~INR 180-200m annually in the non-MF business in the following order of preference - account aggregator business, NPS business, MF Central, and then insurance.
- **CAMS Alternatives** revenue grew ~19% YoY in 1QFY24, despite a challenging macro environment. 1QFY24 saw 27 new wins in the vertical, of which, 11 were new-to-CAMS logos, and came on the back of accelerated signings and rapid adoption of CAMS WealthServ & Fintuple's offerings. 400+ funds services across 150+ fund houses with assets under service at INR 1.75t. CAMS has partnered with Temenos for Multifonds (leading fund administration platform used by 9 out of the top 15 global asset servicers) to bolster service offerings to domestic and GIFT city clients. ~60-70% of the AIF charges are linked to a number of investors.
- **CAMSfinserv** (account aggregator platform) – The focus is on driving sales wins, with 25 deals signed up in 1QFY24. CAMSfinserv leads the industry in FIP integration with 82 FIP signups. CAMS is the first AA to go live with Mutual funds. CAMS catapulted to a leadership position in the industry on FIP integration.
- **CAMSPay** delivered a 25% YoY revenue growth in 1QFY24. Expanded digital footprint through its API, E-mandate, and UPI autopay offerings, which will significantly increase revenues from recurring mandates.
- **CAMS KRA's** revenues grew 40% YoY in 1QFY24, emerging as the preferred KYC partner for Fintechs and fast-growing capital market participants. It launched a '10-Minute KYC' an Industry First AI-embedded KYC solution to onboard customers instantly.
- **CAMS Rep** continued to strengthen its leadership position with improved insurer solutions with 100% YoY growth in EIA and policy additions. Any final regulation from IRDAI on dematerialization of policies is yet to come. Digital Loan Assignment (digitizing the entire loan policy assignment process) to be launched soon by CAMS. Loan against insurance does not have IRDAI permission. As of now, it is not a revenue source for CAMS.

- **Think360** wins digitalization mandate from India’s fourth largest public sector bank, Canara Bank, for its Kwik.ID product. With this, 3 of the top 10 PSBs have awarded their digitization mandates to Kwik.ID. Think360’s flagship alternative credit scoring product, Algo360, has won the mandate from SBI Cards (the country’s second largest credit cards issuer) and Kreditbee (one of the Top 5 lending Fintechs). Think360.AI is the only Indian company recognized by Fintech Global in the 3rd Edition of the AIFintech100 list. CAMS has a call option in think360.AI that can be exercised over the next three to four years. Think360.AI is a completely bootstrapped and debt-free company. Currently, it generates INR 280-300m of revenue annually and it is expected to grow in high double digits.
- **CAMS NPS** continues to retain the second position in the eNPS segment. CAMS NPS makes inroads into the POP and corporate segment with 48% of its new subscriptions coming from the retail POP channel.
- **MFCentral** - CAMS digital properties clocked 8% growth over the last quarter and have a share of 7% of overall investor-initiated transactions. myCAMS continues to hold fort among the top fintech Apps with 6m + registrations. MFCentral APIs to intermediaries continue to gain momentum with over 1.5m hits a month. It delivered 1.5x growth over the last quarter.

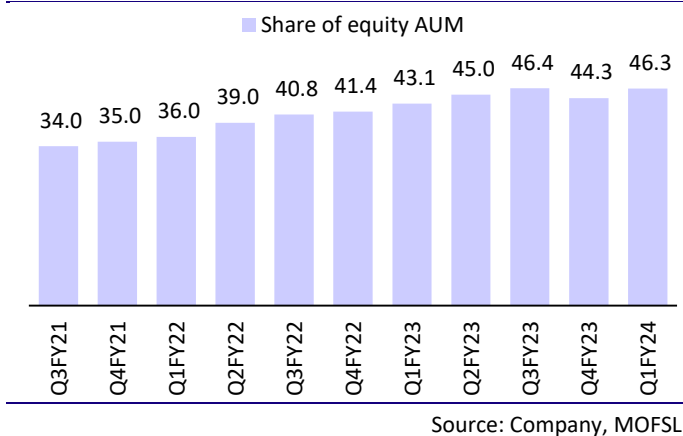
**Financials**

- The asset-based revenue grew 5.5% YoY and the non-asset based revenue grew 14.2% YoY. The non-MF revenue grew 43.5% YoY.
- **Yields** – The decline in yields is on account of resetting of commission charges for some large customers. The maximum impact has been accounted for in 1QFY24 and some incremental impact could be seen in 2QFY24. Yields are expected to remain steady post 2QFY24. Outside of the telescopic structure (expect for few resetting AMCs), yields are holding up well.
- Operating EBIDTA is expected to be in the range on ~40-44%. CAMS has announced an interim dividend of INR 8 per share.

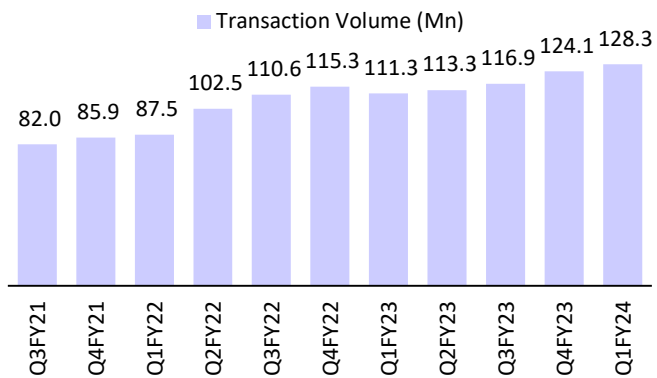
**Exhibit 1: AUM was improves QoQ**



**Exhibit 2: Share of equity AUM improves (%)**

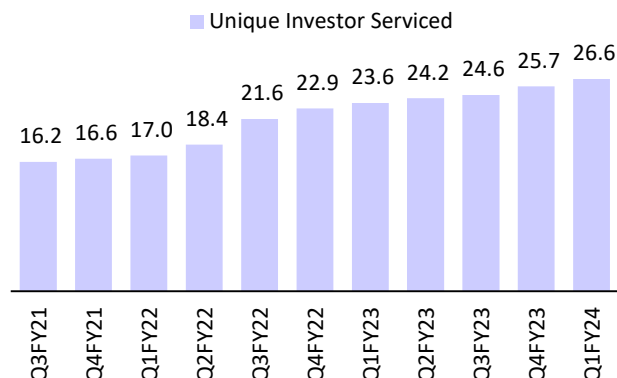


**Exhibit 3: Strong traction in SIP transactions (m)**



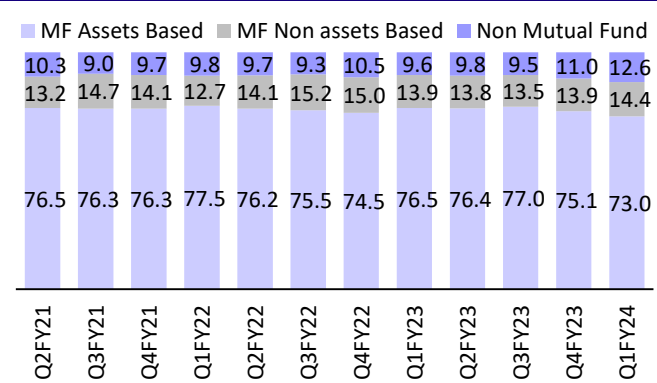
Source: Company, MOFSL

**Exhibit 4: Trend in unique investor serviced (m)**



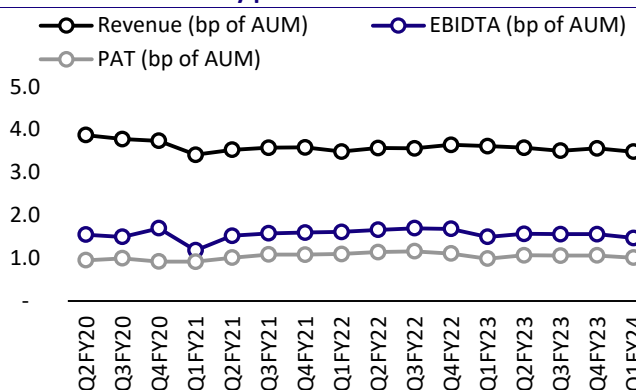
Source: Company, MOFSL

**Exhibit 5: Share of MF non-asset businesses improved QoQ**



Source: MOFSL, Company

**Exhibit 6: Trend in key parameters**



Source: MOFSL, Company

**Exhibit 7: Broadly maintaining our estimates**

INR b	Old Est.		New Est.		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue from Operations	10,808	12,424	10,697	12,295	-1.0	-1.0
Change YoY (%)	11	15	10	15	-1.1	0.0
Employee expenses	3,867	4,254	3,867	4,254	0.0	0.0
Operating expenses	2,140	2,379	2,159	2,401	0.9	0.9
Total Operating Expenses	6,007	6,633	6,027	6,655	0.3	0.3
<b>EBITDA</b>	<b>4,801</b>	<b>5,791</b>	<b>4,670</b>	<b>5,641</b>	<b>-2.7</b>	<b>-2.6</b>
Other Income	315	399	391	457	24.1	14.7
Depreciation/Finance Cost	805	847	770	810	-4.3	-4.3
<b>PBT</b>	<b>4,311</b>	<b>5,343</b>	<b>4,291</b>	<b>5,287</b>	<b>-0.5</b>	<b>-1.0</b>
Change YoY (%)	13	24	13	23	-0.5	-0.7
Tax Provisions	1,078	1,336	1,073	1,322	-0.5	-1.0
<b>Net Profit</b>	<b>3,233</b>	<b>4,007</b>	<b>3,218</b>	<b>3,966</b>	<b>-0.5</b>	<b>-1.0</b>
<b>AAUM (INR b)</b>	<b>31,320</b>	<b>35,956</b>	<b>32,015</b>	<b>36,750</b>	<b>2.2</b>	<b>2.2</b>
Yields on revenue (bps)	3	3	3.3	3.3	-0.1	-0.1
RoE	38.5	41.5	38.4	41.1	-0.2	-0.4
Dividend payout ratio	65.0	65.0	65.0	65.0	0.0	0.0

Source: MOFSL, Company

## Financials and valuations

<b>Income Statement</b>						<b>INR m</b>	
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	
Revenue	6,996	7,055	9,097	9,718	10,697	12,295	
Change (%)	1	1	29	7	10	15	
Employee expense	2,580	2,624	3,218	3,581	3,867	4,254	
Other expenses	1,544	1,471	1,638	1,925	2,159	2,401	
Operating Expenses	4,124	4,094	4,855	5,506	6,027	6,655	
<b>EBITDA</b>	<b>2,873</b>	<b>2,961</b>	<b>4,241</b>	<b>4,212</b>	<b>4,670</b>	<b>5,641</b>	
Change (%)	18	3	43	-1	10.9	20.8	
Dep/Interest/Provisions	582	513	587	679	770	810	
Other Income	217	298	173	268	391	457	
<b>PBT</b>	<b>2,508</b>	<b>2,745</b>	<b>3,827</b>	<b>3,802</b>	<b>4,291</b>	<b>5,287</b>	
Change (%)	25	9	39	-1	12.9	23.2	
Tax	773	692	957	956	1,073	1,322	
Tax Rate (%)	31	25	25	25	25.0	25.0	
<b>PAT</b>	<b>1,735</b>	<b>2,053</b>	<b>2,870</b>	<b>2,846</b>	<b>3,218</b>	<b>3,966</b>	
Change (%)	33	18	40	-1	13.1	23.2	
Dividend	594	2,488	1,895	1,850	2,092	2,578	
<b>Balance Sheet</b>						<b>INR m</b>	
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	
Equity Share Capital	488	488	489	490	490	490	
Reserves & Surplus	5,001	4,671	5,987	7,335	8,454	9,842	
<b>Net Worth</b>	<b>5,489</b>	<b>5,159</b>	<b>6,476</b>	<b>7,825</b>	<b>8,944</b>	<b>10,332</b>	
Borrowings	0	0	0	0	0	0	
Other Liabilities	2,542	3,260	3,094	3,151	3,466	3,838	
<b>Total Liabilities</b>	<b>8,030</b>	<b>8,419</b>	<b>9,571</b>	<b>10,976</b>	<b>12,410</b>	<b>14,170</b>	
Cash and Bank balance	504	1,803	1,510	164	182	308	
Investments	3,056	2,355	3,170	3,298	4,598	6,098	
Net Fixed Assets	3,090	2,840	3,141	3,413	3,119	2,784	
Current Assets	1,380	1,421	1,750	4,100	4,510	4,979	
<b>Total Assets</b>	<b>8,030</b>	<b>8,419</b>	<b>9,571</b>	<b>10,975</b>	<b>12,410</b>	<b>14,170</b>	

E: MOSL Estimates



## Financials and valuations

Cashflow					INR m	
Y/E March	2020	2021	2022	2023	2024E	2025E
Profit after Tax	1,734	2,053	2,870	2,846	3,218	3,966
Adjustments	-126	199	729	754	380	353
Change in Working Capital	(237)	697	(129)	(17)	269	304
<b>Cashflow from Operating activities</b>	<b>1,371</b>	<b>2,950</b>	<b>3,470</b>	<b>3,583</b>	<b>3,867</b>	<b>4,622</b>
Other Income	217	298	173	268	391	457
Change in Current Investments	-751	701	-815	-128	-1,300	-1,500
Change in Fixed Asset	174	-63	-791	-875	-400	-400
Others	-128	-20	-365	-2,269	-372	-401
<b>Cashflow from Investing activities</b>	<b>-489</b>	<b>915</b>	<b>-1,798</b>	<b>-3,004</b>	<b>-1,681</b>	<b>-1,843</b>
Interest Expense	-97	-79	-71	-76	-76	-76
Dividend Expense	-716	-2,488	-1,895	-1,850	-2,092	-2,578
<b>Cashflow from Financing activities</b>	<b>-813</b>	<b>-2,567</b>	<b>-1,966</b>	<b>-1,926</b>	<b>-2,168</b>	<b>-2,654</b>
Net Cashflow	69	1,298	(293)	(1,347)	18	126
Opening Cashflow	435	504	1,803	1,510	164	182
<b>Closing Cashflow</b>	<b>504</b>	<b>1,803</b>	<b>1,510</b>	<b>164</b>	<b>182</b>	<b>308</b>

Y/E March	2020	2021	2022	2023	2024E	2025E
<b>AAAUM (INR B)</b>	<b>18,149</b>	<b>19,984</b>	<b>25,500</b>	<b>27,300</b>	<b>32,015</b>	<b>36,750</b>
Change (%)	14.6	10.1	27.6	7.1	17.3	14.8
Equity	6,706	6,806	10,100	12,400	14,880	17,558
Non-Equity	11,443	13,178	15,400	14,900	17,135	19,191

E: MOSL Estimates

Y/E March	2020	2021	2022	2023	2024E	2025E
<b>Margins Analysis (%)</b>						
Revenue Yield (bps)	3.85	3.53	3.57	3.56	3.34	3.35
<b>Cost to Income Ratio</b>	<b>58.9</b>	<b>58.0</b>	<b>53.4</b>	<b>56.7</b>	<b>56.3</b>	<b>54.1</b>
EBITDA Margins	41.1	42.0	46.6	43.3	43.7	45.9
PBT Margin	35.8	38.9	42.1	39.1	40.1	43.0
PAT Margin	24.8	29.1	31.6	29.3	30.1	32.3
<b>Profitability Ratios (%)</b>						
RoE	34.8	38.6	49.3	39.8	38.4	41.1
Dividend Payout Ratio	34.2	121.2	66.0	65.0	65.0	65.0

### Du pont Analysis (Bps of AAAUM)

Y/E March	2020	2021	2022	2023	2024E	2025E
Operating Income	3.9	3.5	3.6	3.6	3.3	3.3
Operating Expenses	2.3	2.0	1.9	2.0	1.9	1.8
<b>EBITDA</b>	<b>1.6</b>	<b>1.5</b>	<b>1.7</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Depreciation and Others	0.3	0.3	0.2	0.2	0.2	0.2
Other Income	0.1	0.1	0.1	0.1	0.1	0.1
<b>PBT</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>
Tax	0.4	0.3	0.4	0.4	0.3	0.4
<b>ROAAAUM</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>

Valuations	2020	2021	2022	2023	2024E	2025E
BVPS (INR)	112	105	132	160	183	211
Change (%)	22.1	-6.0	25.5	20.8	14.3	15.5
Price-BV (x)	<b>21.2</b>	<b>22.6</b>	<b>18.0</b>	<b>14.9</b>	<b>13.0</b>	<b>11.3</b>
EPS (INR)	35.4	41.9	58.6	58.1	65.7	80.9
Change (%)	32.5	18.4	39.8	-0.8	13.1	23.2
Price-Earnings (x)	<b>67.1</b>	<b>56.7</b>	<b>40.6</b>	<b>40.9</b>	<b>36.2</b>	<b>29.4</b>
DPS (INR)	12.1	50.8	38.7	37.8	42.7	52.6
Dividend Yield (%)	<b>0.5</b>	<b>2.1</b>	<b>1.6</b>	<b>1.6</b>	<b>1.8</b>	<b>2.2</b>

E: MOSL Estimates

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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