

BSE Sensex 66,599
S&P CNX 19,820

CMP: INR2,465 TP: INR2,850 (+16%) Buy



Bloomberg	CAMS IN
Equity Shares (m)	49
M.Cap.(INRb)/(USDb)	120.8 / 1.5
52-Week Range (INR)	2690 / 2002
1, 6, 12 Rel. Per (%)	2/-4/-7
12M Avg Val (INR M)	298

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)	42.4	37.5	30.5
P/BV (x)	15.4	13.5	11.7
Div. Yield (%)	1.5	1.7	2.1

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

Nurturing innovation & re-shaping the future

CAMS organized an Analyst Day to share its in-depth insights on various industry-first solutions and fresh developments in the numerous business categories it operates in.

- CAMS is the leader (~69% share) in India's MF registrar and transfer agent (RTA) industry. It earns ~90% of its revenue from MF business, while the remaining 10% from non-MF businesses such as AIF/PMS RTA, Insurance Repository, Camspay, Account Aggregator, and CRA for NPS.
- With structural tailwinds favoring the MF business and a favorable macro environment emerging for all non-MF businesses, we anticipate a robust business momentum in the foreseeable future. Each of the new businesses has the potential to generate ~INR 0.7-1b over the next three to four years.
- **AIF/PMS RTA:** Unlike in MFs, where CAMS only operate on the liability side, for the alternatives business, CAMS operates as a 360-degree platform. With the industry now inclined to outsource fund administration activities, CAMS has the first-mover advantage in the growing alternatives market.
- **CAMSpay:** With a mission to become the One-Stop Shop for payments, CAMSpay is poised to capitalize on the booming payments industry and enhance its offerings beyond MF industry.
- **Account Aggregator:** The business, while still at its nascent stage, is witnessing an exponential surge in account linkages, FIP/FIU registrations, and the number of fetches. Integration of AI with AA will enhance the use cases and result in higher monetization.
- **Insurance repository:** While the mandate for compulsory dematerialization of insurance policies is pending from IRDAI, the heightened awareness has led to a surge in the creation of e-insurance accounts. Bima Central has the potential to be a game changer in this segment.
- We believe that with all the steps heading in the right direction, CAMS will achieve an overall revenue growth of 13% (MF business is projected to grow by 11% and the non-MF business is expected to surge by 20%) with EBIDTA margins ranging between 43% and 45%. The share of non-MF business is expected to increase from 10% to 15% over the next 3-5 years. Currently, we have a BUY rating on the stock, with a target price of INR2,850 (a P/E multiple of 35x on FY25 earnings).

All the right triggers aiding growth in MF segment

- CAMS' technology has been pivotal in driving the rapid retail growth of the MF industry. CAMS serves ~270m unique customers with ~380m active SIP accounts. ~98% of these transactions are conducted digitally, resulting in a mere 0.002% complaints out of the total financial transactions (achieving 96.2% C-SAT score).
- CAMS has won 4 out of the last 6 AMC mandates, which include Zerodha, Helios, Torus Oro, and Angel One. Navi MF migrated to CAMS in Mar'23. The last 5 mandates won by CAMS have garnered an AUM of INR 655b, whereas its competitors have achieved only INR 145b in the same period.

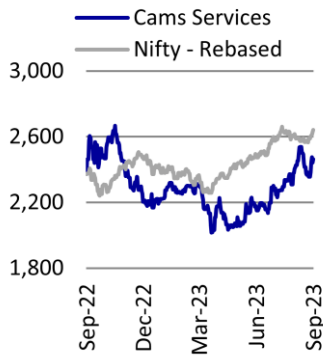
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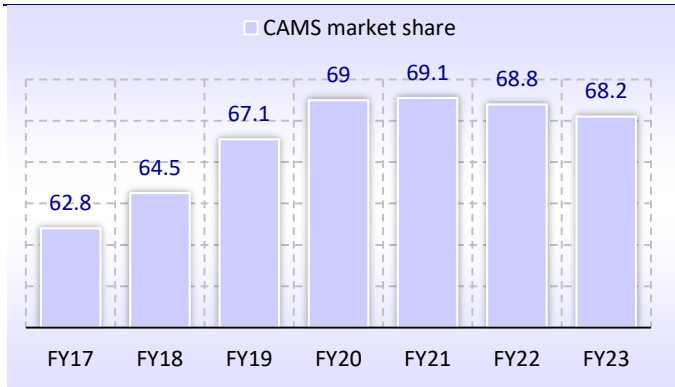
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Stock performance (one-year)



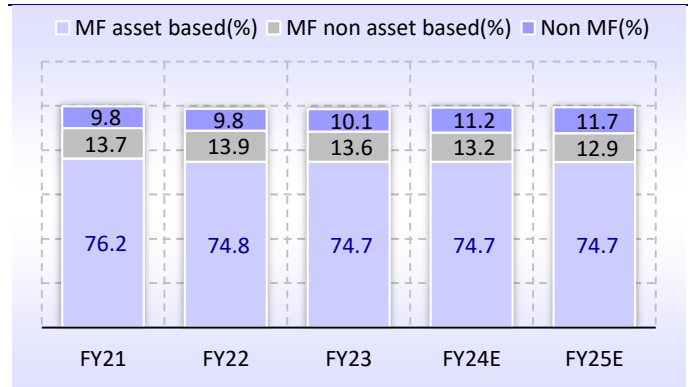
- With technology being the key enabler for consistent & reliable services, the total number of folios has surged to 820m in Jul’23 from 400m in FY15. CAMS has experienced substantial growth in transaction volume, reaching 0.46b in FY23 from 0.1b in FY15, enabling a transaction value of INR 151tn.
- CAMS has transformed the MF landscape through end-to-end automation. It provides a vast suit of integrated applications and solutions such as fundsnet (Distributor order capture), mf360 (Transaction and CRM platform), edge360 (Platform for intermediaries), CAMS GoCORP (Portal for institutional investors), vision (Browserbased fund accounting), myCAMS (Mobile App & portal for investors), etc. These are innovative digital initiatives have powered AMCs to ride the recent digital wave.
- CAMS is the single source of business intelligence and analytics for the entire MF industry with various data bureau services and predictive analytics. CAMS is future ready to serve the next INR30t assets and 100m customers in Mutual Funds.

Exhibit 1: Commands leadership in MF RTA industry (%)



Source: MOFSL, Company

Exhibit 2: MF revenue constitutes 90% of the total pie



Source: MOFSL, Company

Exhibit 3: No. of folios more than doubled in eight years



Source: MOFSL, Company

Exhibit 4: Live SIP accounts grew to 380m in Jul'23



Source: MOFSL, Company

Exhibit 2: 4.6x growth in transactions in the last eight years

Source: MOFSL, Company

AIF/PMS – Aspiring to be the fastest non-MF segment to reach INR 10b in revenue

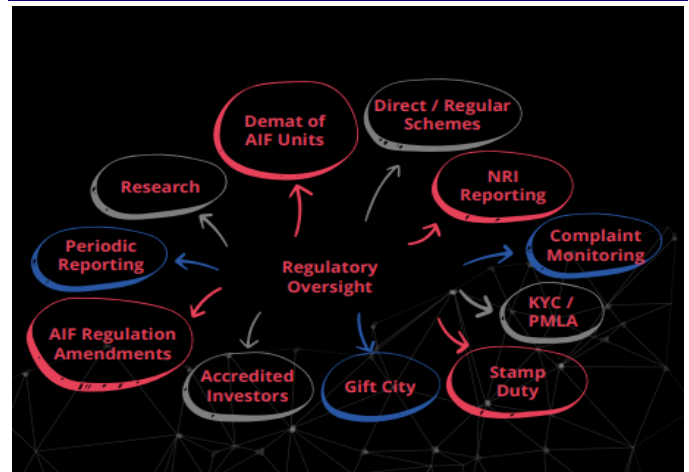
- The alternatives industry has grown at an exponential 30% CAGR in the last three years. As per CRISIL research, this industry is pegged to register a CAGR of anywhere between 27-29% till FY27.
- Reasons for the growing inclination of funds to outsource fund activities are: 1. Expanding investor base with increased retail participation, 2. Rising regulatory demands and heightened scrutiny, and 3. A gradual shift in the market outlook favoring outsourcing.
- Unlike in MFs, where CAMS only operate on the liability side, for the alternatives business, CAMS operates as a 360-degree platform. It is now the largest service partner to the domestic alternative investment segment: greater than 50% share of the outsourced market.
- CAMS is a pioneer in introducing new-to-market initiatives in the industry.
- It is a.) the First RTA as a scope for the alternatives that provides a full range of services covering TA, fund accounting, compliance, digital solutions, and other value-added services, b.) First RTA at GIFT City with fund administration services to 12 Clients, c.) First multi-tenant digital onboarding platform (CAMS WealthServ) and d.) First of its kind analytics platform for alternative investments, leveraging the breadth of data of over INR 1.80t of AUM through WealthTrak.
- Fintuple is one of the first digital platforms to onboard customers into the world of alternative investments.
- It aims to bridge the gap between the external elements of the financial ecosystem and a wide range of wealth products, all within a unified platform. Fintuple has evolved into a digital transformation partner for both banks and the broader capital market ecosystem.
- CAMS is the preferred partner for launching new-to-market funds and facilitating subsequent launches for existing funds. It has already secured 50 mandates in FY24, while WealthServ has crossed 100+ signups.

Exhibit 5: Increasing preference for specialized platform...



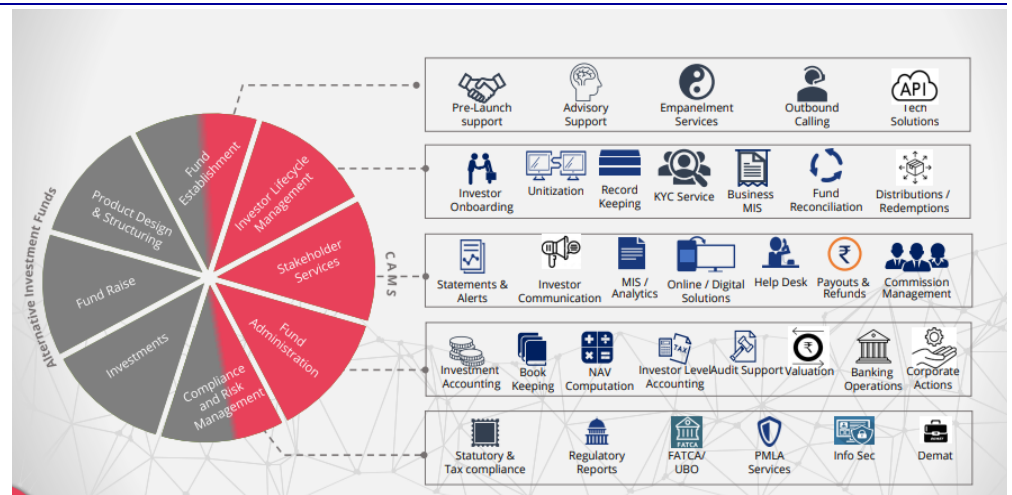
Source: MOFSL, Company

Exhibit 6: ...as regulatory oversight increases



Source: MOFSL, Company

Exhibit 3: Full Stack Fund administration services by CAMS




Source: MOFSL, Company

Future is digital - CAMSPay to gain traction

- The total payment industry has seen a significant growth of 3x in volume and 1.5x in value in the last three years.
- CAMS has expanded its presence to cater to the growing digital payment’s ecosystem (merchant base growing rapidly within the BFSI space). CAMS UPI auto-pay has now tied up with AngelOne.
- The payments business in the BFSI space is expected to register a CAGR of 40% over the next five years and reach a market size of INR 400b by FY28.
- CAMSPay, a strategic business unit within CAMS, offers a panoramic range of payment solutions through its comprehensive platform. Using advanced technology and a range of features, CAMSPay offers secure and seamless payment services, customized for the needs of the BFSI and educational sectors.
- In Feb’23, CAMS received RBI’s in-principle authorization to be a Payment Aggregator.
- CAMS has processed ~710m transactions, totaling INR1tn, with 20m recurring mandate registrations. It has also validated 60m bank accounts.
- The key breakout events that will take payments business to the next level are 1. Regulation changes, 2. consolidation of players, 3. financial inclusion in tier 4 and 5 (penetration of 5G and 6G).

Exhibit 4: CAMSpay is preferred because of the following reasons

 <p>Security</p>	 <p>Compliance</p>	 <p>Native Interfaces to MF, Insurance & NBFC</p>	 <p>Customisable UI/UX</p>
<p>State-of-the-art encryption standards and multi-tiered safeguards for ironclad transactions</p>	<p>Ensuring compliance with RBI & PCI DSS standards along with ISO standards</p>	<p>Our payment solution are designed to solve BFSI payment problems</p>	<p>Easily customizable interface as per the requirements of the merchants.</p>

Source: MOFSL, Company

Regulatory triggers to boost Insurance repository business

- Currently, the insurance industry has a user base of 500m (300m for life insurance and 200m for general insurance). The annual opportunity user base (excluding one-time policy conversion) stands at 160m.
- These policies could generate 100m service transactions - ~70m basic service transactions and ~30m premium service transactions with an opportunity size of INR 1-1.5b.
- CAMSRep offers **a. insurance repository services** to policyholders, enabling them to maintain their insurance portfolio in digital (demat) form, where it works with 45 insurers and has close to 40% market share in demat policies and **b. Insurer services** to offer plug-n-play customer interaction channels and processing capability to insurers. Here, CAMS has 5 long-standing relation with 5 of the top 10 life insurers and CAMS has helped to process INR 800b worth of unclaimed benefits processed via Digital Deep Contact tracing.
- **Bima Central** – It is the first ever insurance benefit realization platform. It operates without making sales recommendations, prioritizing the policyholder's best interests. This approach is based on obtaining customer consent and ensuring unbiased access to all insurers. Additionally, the platform offers the capability to secure loans against policies. This is beyond the capacity of insurance companies themselves. Currently, Bima Central is in the testing phase.
- CAMS has the necessary capacity in place to scale the business as and when the mandate comes from IRDAI.

Exhibit 5: Win-win situation for policyholders and insurers

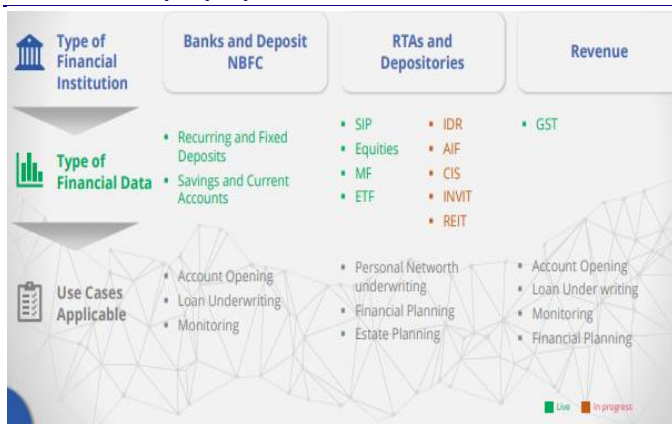
Advantage to Policyholder	Advantage to Insurer
<ul style="list-style-type: none"> • One platform to manage your insurance portfolio • Allow the policyholder to integrate and aggregate benefits across policies • Enhances insurance benefit understanding and hence insurance appeal • Aligned interest – No push to purchase or buy more products 	<ul style="list-style-type: none"> • Syndication advantage: Insurer benefits from any and all profile updates by policyholder at a fraction of the cost • Access to readymade ecosystem to use (like Digital Assignment along with choice of financiers) • Improved & Deeper engagement due to portfolio aggregation and ability to combine benefits • Pay only for usage (by policyholder) • Opportunity to innovate new product and service use cases

Source: MOFSL, Company

Scaling up of Account Aggregator Ecosystem

- The AA network went live in September 2021 and is still in the nascent stages. NFIR, when integrated with account aggregator system, will have a game changing impact on the financial services industry in India.
- Account Aggregator has various use cases such as Credit underwriting, credit monitoring, KYC, Life insurance underwriting insurance renewal monitoring, and insurance tech comparison.
- CAMSFinserv is the leading platform for account aggregation and TSP services. CAMS to go live as FIP Gateway in 1QFY24. It has a leadership position in the industry on FIP integration.
- Additionally, CAMS has pioneered a new use case for bank account verification in collaboration with AA, enhancing the efficiency of information flow.
- CAMS has tie-ups with 19 wealth management institutions, 24 stock broking firms, 17 AMCs, 33 NBFCs, 8 HFCs, and 2 banks.
- AA+TSP business is gaining momentum with expanded outreach and superior product positioning. CAMS grew 57% MoM over the last eight months. CAMS has a monthly run rate of 0.5m pulls through AA with 12%+ market share.
- CAMS offers a comprehensive range of services tailored to various segments, with each use case serving specific needs. E.g. a bank statement analyzer for assessing loan eligibility, a Personal Finance Manager for efficient portfolio management and asset allocation.
- CAMS envisions the industry reaching a daily usage of 1m pulls by FY28.

Exhibit 7: Unique propositions of AA...



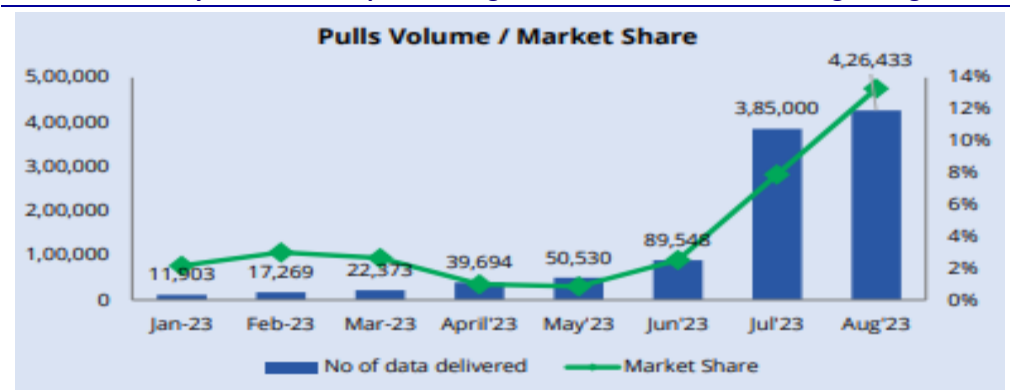
Source: MOFSL, Company

Exhibit 8: ...with proposed data in pipeline



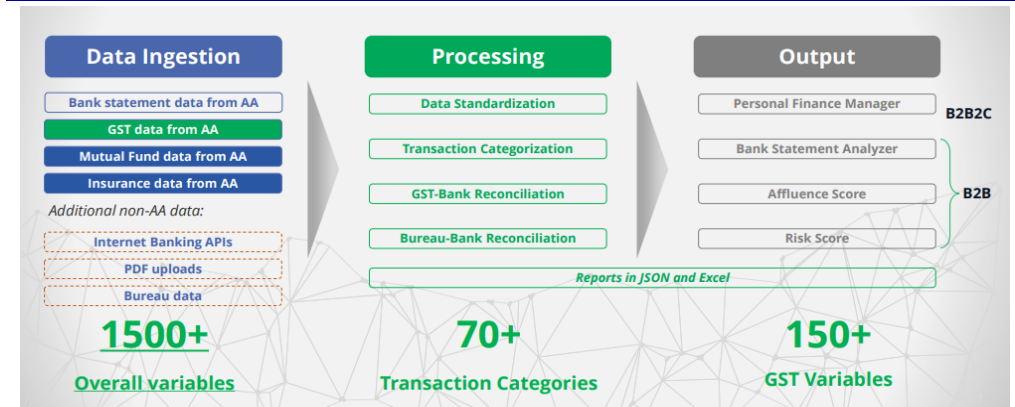
Source: MOFSL, Company

Exhibit 6: Monthly run rate of 5L pulls through AA, 12%+ market share and growing



Source: MOFSL, Company

Exhibit 7: Full stack analyzer helping FIUs with lending, advisory, and monitoring

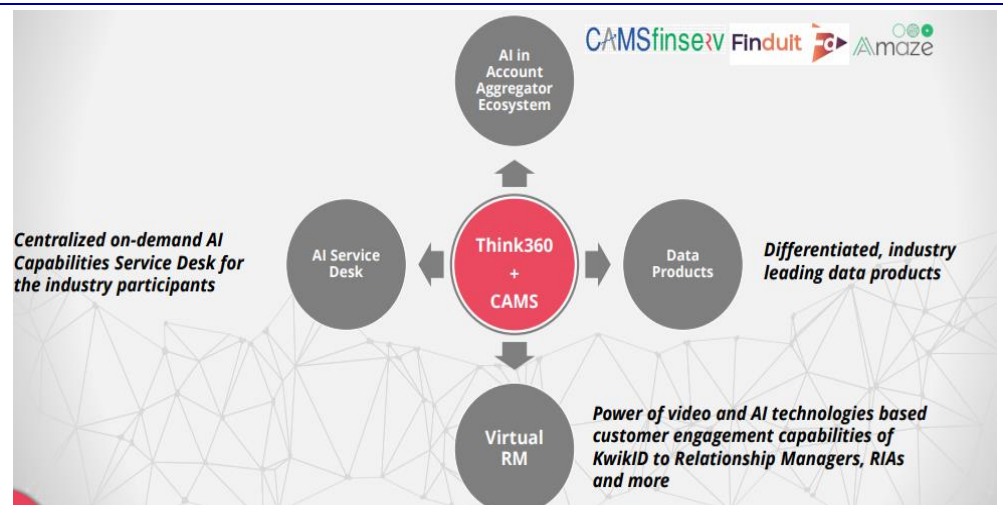


Source: MOFSL, Company

Think360 – AI Stack for Digital Financial Services

- Data, Algorithm, and Application are the three pillars of AI. The share of digital lending now accounts for 30%+ of all lending and fintechs, providing 95%+ digital lending solutions.
- Think360 aims to expand reach to newer markets, transform customer onboarding and drive smarter decisions.
- For expanding the reach, **FlowXpert** is helping financial institutions scale their API and partnership infrastructure. It is managing 300+ APIs for clients across 100+ partnerships.
- For Onboarding **a. Kwik.ID** is fast, secure, compliant customer onboarding and digital KYC platform for digital transformation, where 3 of the top 10 PSBs work with CAMS; **b Algo360** is India’s largest alternative data and AI credit scoring solutions with 80m+ customer profiles, 800+ customer insight variables, and real-time alerts, nudges, and decision, and **c. Amaze** is account aggregator analytics TSP with the largest FIP footprint, embedded AI use cases, including PFM, risk assessment, and real-time triggers.

Exhibit 8: CAMS + Think360 – Bringing exciting possibilities



Source: MOFSL, Company

Valuation and View

- With structural tailwinds favoring the MF business and a favorable macro environment emerging for all non-MF businesses, we anticipate a robust business momentum in the foreseeable future. Each of the new businesses has the potential to generate ~INR 0.7-1b over the next three to four years.
- We believe that with all the steps heading in the right direction, CAMS will achieve an overall revenue growth of 13% (MF business is projected to grow by 11% and the non-MF business is expected to surge by 20%) with EBIDTA margins ranging between 43% and 45%. The share of non-MF business is expected to increase from 10% to 15% over the next 3-5 years. Currently, we have a BUY rating on the stock, with a target price of INR2,850 (a P/E multiple of 35x on FY25 earnings)

Financials and valuations

Income Statement						INR m
Y/E March	2020	2021	2022	2023	2024E	2025E
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
EBITDA	2,873	2,961	4,241	4,212	4,670	5,641
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
PBT	2,508	2,745	3,827	3,802	4,291	5,287
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
PAT	1,735	2,053	2,870	2,846	3,218	3,966
Change (%)	33	18	40	-1	13.1	23.2
Dividend	594	2,488	1,895	1,850	2,092	2,578
Balance Sheet						INR m
Y/E March	2020	2021	2022	2023	2024E	2025E
Equity Share Capital	488	488	489	490	490	490
Reserves & Surplus	5,001	4,671	5,987	7,335	8,454	9,842
Net Worth	5,489	5,159	6,476	7,825	8,944	10,332
Borrowings	0	0	0	0	0	0
Other Liabilities	2,542	3,260	3,094	3,151	3,466	3,838
Total Liabilities	8,030	8,419	9,571	10,976	12,410	14,170
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
Total Assets	8,030	8,419	9,571	10,975	12,410	14,170

E: MOFSL 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
Cashflow from Operating activities	1,371	2,950	3,470	3,583	3,867	4,622
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
Cashflow from Investing activities	-489	915	-1,798	-3,004	-1,681	-1,843
Interest Expense	-97	-79	-71	-76	-76	-76
Dividend Expense	-716	-2,488	-1,895	-1,850	-2,092	-2,578
Cashflow from Financing activities	-813	-2,567	-1,966	-1,926	-2,168	-2,654
Net Cashflow	69	1,298	(293)	(1,347)	18	126
Opening Cashflow	435	504	1,803	1,510	164	182
Closing Cashflow	504	1,803	1,510	164	182	308
Y/E March	2020	2021	2022	2023	2024E	2025E
AAAUM (INR B)	18,149	19,984	25,500	27,300	32,015	36,750
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: MOFSL Estimates

Y/E March	2020	2021	2022	2023	2024E	2025E
Margins Analysis (%)						
Revenue Yield (bps)	3.85	3.53	3.57	3.56	3.34	3.35
Cost to Income Ratio	58.9	58.0	53.4	56.7	56.3	54.1
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
Profitability Ratios (%)						
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

Dupont 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
EBITDA	1.6	1.5	1.7	1.5	1.5	1.5
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
PBT	1.4	1.4	1.5	1.4	1.3	1.4
Tax	0.4	0.3	0.4	0.4	0.3	0.4
ROAAAUM	1.0	1.0	1.1	1.0	1.0	1.1

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)	22.0	23.4	18.6	15.4	13.5	11.7
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)	69.6	58.8	42.1	42.4	37.5	30.5
DPS (INR)	12.1	50.8	38.7	37.8	42.7	52.6
Dividend Yield (%)	0.5	2.1	1.6	1.5	1.7	2.1

E: MOFSL Estimates

Explanation of Investment Rating	
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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