

October 29, 2024

**RESULT REPORT Q2 FY25** | Sector: Asset Managers / Specialty Finance

# Computer Age Management Services

## Revenue and margin evolution healthy for now

### Our view – Strong growth in both MF and non-MF segments sustained

**Asset-Based Mutual Fund Revenue**– Asset growth remained strong and yield was broadly stable: Asset-based mutual fund revenue was up 10.7%/32.7% QoQ/YoY to Rs 2.68bn, lagging growth in AAUM serviced by CAMS, which was up 12.3% QoQ and 39.2% YoY. The revenue yield was largely stable during the quarter, where the adverse impact of telescoping pricing was negated by higher share of Equity AUM.

**Non-Mutual Fund Revenue** – Strong growth in Non-mutual fund revenue was maintained: Non-mutual fund revenue rose 7.0%/31.9% QoQ/YoY, driven sequentially by growth in AIF, CAMS Pay and CAMS KRA. The contribution of non-mutual fund revenue was at 12.9%, down -40bps QoQ but flat YoY. CamsPay registered a 69% YoY growth and around 50-60% of its revenue contribution is from mutual funds. The CAM KRA revenue grew by 56% YoY and now contributes 3.9% to total revenue.

**Operating Expenses** – Operating expenses rose sequentially due to increments and direct expenses: Employee expense was at Rs 1,186mn, up 4.8%/21.4% QoQ/YoY. The YoY increase was driven by new hirings and increments. The company has granted ESOPs in 3Q to employees, which would have an incremental ESOP cost of around Rs 40mn for FY25. Other Opex was at Rs 764mn, up 11.4%/38.2% QoQ/YoY. The YoY increase in other expenses was largely driven by direct expenses. Variable expenses, excluding out-of-pocket expenses, are 8-8.5% of revenue and should not change a lot going forward.

We maintain ADD rating on CAMS with a revised price target of Rs 4800: We value CAMS at 43x FY26 P/E at which CAMS would trade at 18.5x FY26 P/B.

*(See Comprehensive con call takeaways on page 2 for significant incremental colour.)*

### Other Highlights (See “Our View” above for elaboration and insight)

- **Non-Asset Based Mutual Fund Revenue:** Non-asset-based mutual fund revenue rose 10.5%/34% QoQ/YoY, driven by transaction, NFO and call center revenue.
- **Operating profit margin:** Calculated Operating EBITDA amounted to Rs 1,702mn for the quarter, translating to an EBITDA margin of 46.6%, up 141bps QoQ.

### Exhibit 1: Result table – Consolidated Financials

(Rs mn)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Revenue	3,652	2,751	32.7%	3,314	10.2%
Employee expenses	1,186	977	21.4%	1,130	4.9%
As % of revenue	32.5%	35.5%	-304bps	34.1%	-163bps
Other Expenses	764	553	38.2%	686	11.4%
As % of revenue	20.9%	20.1%	82bps	20.7%	22bps
Total Expenses	1,950	1,530	27.5%	1,816	7.4%
As % of revenue	53.4%	55.6%	-222bps	54.8%	-141bps
EBIDTA	1,702	1,221	39.4%	1,498	13.6%
EBIDTA Margin	46.6%	44.4%	222bps	45.2%	141bps
Other Income	126	96	30.6%	117	7.4%
Interest	22	20	9.7%	21	1.3%
Depreciation	184	174	5.4%	170	8.2%
PBT	1,622	1,124	44.4%	1,424	13.9%
Tax	414	286	45.0%	354	16.9%
Tax Rate	25.5%	25.4%	10bps	24.9%	64bps
PAT	1,208	838	44.2%	1,070	13.0%
PAT Margin	33.1%	30.5%	263bps	32.3%	82bps

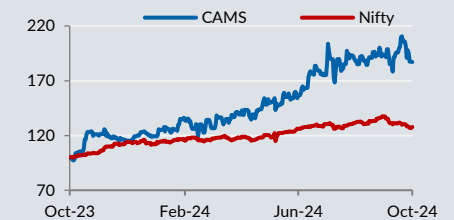
Source: Company, YES Sec-Research

Recommendation	: ADD
Current price	: Rs 4,313
Target price	: Rs 4,800
Potential return	: +11%

### Stock data (as on October 29, 2024)

Nifty	24,288
52 Week h/l (Rs)	4970 / 2230
Market cap (Rs/USD mn)	212681 / 2530
Outstanding Shares (mn)	49
6m Avg t/o (Rs mn):	1,454
Div yield (%):	1.0
Bloomberg code:	CAMS IN
NSE code:	CAMS

### Stock performance



	1M	3M	1Y
Absolute return	-3.2%	0.7%	87.2%

### Shareholding pattern (As of Sep'24 end)

Promoter	0.0%
FII+DII	75.2%
Others	24.8%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	4800	4750

### Financial Summary

Rs mn	FY25E	FY26E	FY27E
Net Revenue	14,285	16,158	18,490
YoY Growth	26%	13%	14%
EBITDA	6,706	7,638	8,621
EBIDTA Margin	46.9%	47.3%	46.6%
PAT	4,739	5,472	6,242
YoY Growth	35.0%	15.4%	14.1%
ROE	47.5%	46.5%	45.2%
EPS (Rs)	96	111	127
P/E (x)	44.7	38.7	34.0
BV (Rs)	220	259	303
P/BV (x)	19.6	16.7	14.2

### Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	96.4	111.3	127.0
EPS (Old)	86.7	102.8	123.0
% change	11.2%	8.3%	3.3%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Revenue aspects

- **Revenue during the quarter**
  - Total revenue was up 32.7% YoY and 10.2% QoQ to Rs 3.65bn in 2QFY25.
  - **Revenue split**
    - **Mutual fund revenue**
      - Mutual fund asset-based revenue was up 32.7% YoY and 10.7% QoQ.
      - Mutual fund non-asset based revenue was up 34.0% YoY and 10.5% QoQ.
      - The non-asset based revenue was driven by transaction revenue, NFO revenue and call center revenue.
    - **Non-mutual fund revenue**
      - Non-mutual fund revenue was up 31.9% YoY and 7.0% QoQ
      - Share of non-mutual fund revenue in total revenue was at 12.9%, down -40bps QoQ but flat YoY.
      - The non-mutual fund revenue growth was driven sequentially by AIF, KRA and CAMS Pay.
      - **Segmental share in overall revenue in 2QFY25**
        - CAMSKRA contributed 3.9%
        - AIF services contributed 2.7%.
        - CAMSPay contributed around 3.3%.
        - Insurance repository services contributed 1.2%.
        - Think360 contributed 0.7%
  - **Revenue yield**
    - **Recent yield trends**
      - Yield has been largely stable over the last 2 quarters.
      - On a sequential basis, the equity yield has hovered around 3.4-3.5 bps and overall yield decline has moved along similar lines.
      - The adverse impact of telescoping pricing was negated by increase in share of Equity AUM.
      - The Company has completed price discussion with some large customers within expected lines.
    - **Commission structure of mutual funds**
      - Commenting on recent changes made by mutual funds on commission structure, management stated that they do not foresee radical changes to yield behaviour for CAMS.
      - Telescopic pricing would continue in line with what has happened over the last decade.
    - **Recent equity assets decline**
      - Equity assets have declined materially over the past fortnight due to correction in the markets.
      - In such a situation, the pricing goes back to the previous (higher) pricing and this is hard-coded in the contract with the clients.
    - **Telescopic pricing**
      - The rule of thumb is that for every 100% rise in assets, the rise in mutual fund asset-based revenue would be 75%.
      - The company may do better in certain quarters and the figure for the September quarter has been 83%.
      - However, in the long-run, the thumb rule of 75% stands since the company has to engage in price revision conversations as an ongoing exercise.

(Con call takeaways continue on the next page)

## Opex aspects

- **Employee Expense**
  - Employee expense was at Rs 1,186mn, up 21.4% YoY and 4.8% QoQ.
  - The increase was driven by new hirings and increments.
  - The employee cost is broadly within company's target of 32% of revenue.
  - **Guidance**
    - The company has granted ESOPs in 3Q to employees, which would have an incremental ESOP cost of around Rs 40mn for FY25.
- **Other Operating Expense**
  - Other Operating expense was at Rs 764mn, up 38.2% YoY and 11.4% QoQ
  - The YoY increase in other expenses was largely driven by direct expenses.
  - During the quarter, there was some one-off fixed cost which pertains to incorporation of MF Central, Data privacy related expenses, etc.
- **Variable expenses**
  - Variable expenses, excluding out-of-pocket expenses, are 8-8.5% of revenue.
  - This should not change a lot given that the company has adopted cloud for new businesses.
- **Fixed expenses**
  - Fixed expenses have been Rs 0.25-0.28bn for the last few quarters compared with Rs 0.21-0.22bn earlier.
  - This rise has been driven by inflation.

## Profitability aspects

- **EBITDA**
  - **Operating EBITDA**
    - Operating EBITDA on IndAS basis was at Rs 1,714mn, up 39.9% YoY and 13.8% QoQ
  - **EBITDA margin**
    - EBITDA margin for the quarter on IndAS basis was at 46.9% as against 44.5% in 2QFY24.
    - **Non-mutual fund businesses**
      - The EBITDA margin of the non-mutual fund businesses has reached 19% on blended basis, compared with 15% in the last quarter.
      - This has been driven by good growth seen in the CAMSPay and KRA businesses.
    - **Guidance**
      - If current trends continue, the overall EBITDA margin can reach 47-47.5% by the end of the year.
      - Exceeding 48% EBITDA margin may be difficult.

## Dividend

- The company has announced interim dividend of Rs 25 per share.
- Of the total interim dividend of Rs 25 per share, the general dividend was Rs 14.5 per share which is based on the company's dividend policy of 65% of income and special dividend was Rs 10.5 per share.

(Con call takeaways continue on the next page)

## Underlying business aspects

- **Overall AUM**
  - Market share for CAMS in overall AAUM for 2QFY25 stood at 68%.
  - AUM serviced by CAMS amounted to Rs 44.8trn, up 39.2% YoY and 12.3% QoQ.
- **Equity segment**
  - **Equity AUM**
    - Equity AUM serviced by CAMS was at Rs 24.8 trn, up 59.4% YoY and 15.2% QoQ.
    - Share of Equity in AUM was at 66% up 100bps QoQ.
- **Transactions**
  - Transactions in the quarter were 224mn, up 17% QoQ and 59% YoY.
  - SIP transactions were 178mn, up 30% YoY
- **SIP registrations and collection**
  - Inflows through SIPs increased by 54% YoY and 14% QoQ
  - New SIPs registration stood at 12.2mn, up 86% YoY and 30% QoQ
- **Unique investors serviced**
  - Unique investors serviced amounted to 37mn, up 31% YoY and 9% QoQ.
- **Live investor folios**
  - These were 86mn, up 31% YoY

## Key segmental developments and related aspects

- **Insurance repository business**
  - CAMS Rep has achieved eIA additions & policy conversions of around 1mn in 2QFY25
  - The total eIA base crossed 7.5mn
  - ICICI Prudential Life Insurance becomes the first life insurer to integrate services on Bima Central; two more insurers in process of completing integration.
  - Bima Central unique user base has crossed 0.25 mn.
  - CAMS Rep holds more than 40% market share in E-insurance policies.
- **AIF and PMS business**
  - AIF segment revenue was up 21% YoY.
  - The company recorded highest-ever quarterly win rate with 57 new mandates in Q2FY25.
  - There are total 20 plus clients from GIFT City
  - The company has opened its second office in GIFT City
  - CAMS WealthServ have 165 plus sign-ups.
  - Assets under service in CAMS alternatives were at Rs 2.30 Tn
- **CAMSPay**
  - CAMSPay registered a revenue growth of 69% YoY in 2QFY25.
  - UPI Auto-pay transactions have increased by 110% YoY and the company has done 2.3 million UPI autopay registrations.
  - CAMSPay added 23 new logos in 2QFY25.
  - **Revenue split**
    - 55-60% of the revenue for CAMSPay comes from mutual funds.
    - Of the business coming from mutual funds, most of it is due to SIPs.
  - **Finserv - Account aggregator (AA) and TSP business**
    - CAMSFinserv registers a revenue growth of 170% YoY albeit from a small base.

(Con call takeaways continue on the next page)

- 126 FIUs clients were live in Q2FY25.
- The company had a market share of 16.5% (in linked accounts) during the quarter.
- **CAMS KRA**
  - CAMS KRA revenue grew by 56% YoY in 2Q.
  - CAMS KRA added 26 new financial institutions and FinTech's as its customers.
  - CAMS KRA holds 20% market share.
  - **Revenue split**
    - 80% of the CAMSKRA revenue is derived from mutual funds.
    - 20% is derived from non-asset management companies and this share used to be nil earlier.
- **CAMS CRA**
  - CAMS CRA holds 7.9% market share in 2Q in retail business.
  - The subscriber onboarding on CAMS CRA has crossed 0.1mn.
- **Think360AI**
  - Think 360 has won Algo360 mandate from L&T Financial Services and Stable Money.
- **MF Central business**
  - The MF Central model is API based and garnered a revenue of Rs 17mn (presumably for the quarter).
  - The revenue will be split 50:50 with the other RTA (KFintech) on a JV basis.

## Exhibit 2: Revenue Break-up

Rs mn	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
<b>Total Revenue</b>	<b>3,652</b>	<b>2,751</b>	<b>32.7%</b>	<b>3,314</b>	<b>10.2%</b>
Mutual Fund	87.1%	87.1%	0bps	86.7%	40bps
MF-Assets Based	73.3%	73.4%	-10bps	73.0%	30bps
MF-Non assets Based	13.8%	13.7%	10bps	13.7%	10bps
Non-Mutual Fund	12.9%	12.9%	0bps	13.3%	-40bps
AIF	2.7%	2.7%	0bps	2.7%	0bps
CAMS Pay	3.3%	2.6%	70bps	3.2%	10bps
CAMS REP	1.2%	1.4%	-20bps	1.3%	-10bps
Think360 AI	0.7%	1.5%	-80bps	1.2%	-50bps
CAMSKRA	3.9%	3.3%	60bps	3.7%	20bps
Others	1.1%	1.3%	-20bps	1.2%	-10bps

Source: Company, YES Sec - Research

## Exhibit 3: Other Business Parameters

(in mn)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
MF AAUM Serviced (Rs Bn)	44,800	32,500	37.8%	40,300	11.2%
Market Share	68.0%	68.5%	-50bps	68.0%	0bps
Share of Equity AAUM	54.6%	47.7%	690bps	53.2%	140bps
Transaction Volume	224.0	140.9	59.0%	190.6	17.5%
Systematic Transaction Processed	178.0	106.1	67.8%	151.8	17.3%
Live Investor Folio	86.0	63.8	34.8%	78.3	9.8%
Unique Investor Serviced	37.0	28.3	30.7%	34.1	8.5%

Source: Company, YES Sec - Research

## Exhibit 4: Quarterly Actuals Vs Estimates

Q2FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	3,652	3,638	0.4
EBITDA	1,702	1,644	3.5
PAT	1,208	1,182	2.2

Source: Company, YES Sec - Research

## ANNUAL FINANCIALS

### Exhibit 5: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity	490	491	491	491	491
Reserves	7,327	8,654	10,313	12,228	14,413
Net worth	7,817	9,145	10,804	12,719	14,904
Minority interest	7	11	11	11	11
Other Financial Liability	735	1,198	1,318	1,450	1,595
Provisions	720	721	793	872	959
Trade Payables	469	646	812	918	1,051
Provisions	95	132	146	160	176
Other Non Current Liabilities	1,119	2,281	2,509	2,760	3,036
<b>Total Equity &amp; Liabilities</b>	<b>10,963</b>	<b>14,135</b>	<b>16,393</b>	<b>18,891</b>	<b>21,732</b>
Net Fixed Assets	3,413	3,889	3,670	3,406	3,097
Investments	0	0	0	0	0
Loans	131	161	177	194	214
Deferred Tax Assets	89	130	143	157	172
Other Non Current Assets	26	14	15	17	19
Investments	3,298	4,066	5,266	6,466	7,666
Trade Receivables	330	649	815	922	1,055
Cash & Bank	2,203	2,111	2,880	3,959	5,362
Other Current Assets	1,473	3,116	3,428	3,771	4,148
<b>Total Assets</b>	<b>10,963</b>	<b>14,135</b>	<b>16,393</b>	<b>18,891</b>	<b>21,732</b>

Source: Company, YES Sec – Research

### Exhibit 6: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	9,718	11,365	14,285	16,158	18,490
Employee Expenses	3,581	3,972	4,766	5,302	5,938
Operating Expenses	1,123	1,315	1,578	1,785	2,240
Other Expenses	803	1,030	1,235	1,433	1,691
<b>EBITDA</b>	<b>4,212</b>	<b>5,049</b>	<b>6,706</b>	<b>7,638</b>	<b>8,621</b>
Other Income	268	406	421	517	613
Depreciation	603	705	719	764	809
Interest Expense	76	82	89	95	102
<b>PBT</b>	<b>3,802</b>	<b>4,668</b>	<b>6,319</b>	<b>7,295</b>	<b>8,323</b>
Tax	956	1,159	1,580	1,824	2,081
<b>PAT</b>	<b>2,846</b>	<b>3,510</b>	<b>4,739</b>	<b>5,472</b>	<b>6,242</b>

Source: Company, YES Sec – Research

## Exhibit 7: Cashflow statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PAT	2,846	3,510	4,739	5,472	6,242
Adjustments -					
Depreciation	412	661	719	764	809
Finance cost	76	82	89	95	102
Other Income	(268)	(406)	(421)	(517)	(613)
Other Non-Cash items	343	102	0	0	0
Working Capital	(130)	1,030	298	329	361
Operating Cashflow (A)	3,279	4,979	5,424	6,142	6,902
Capex	(682)	(1,136)	(500)	(500)	(500)
Investments	(129)	(767)	(1,200)	(1,200)	(1,200)
Other Income	268	406	421	517	613
Others	(228)	(1,670)	(328)	(360)	(396)
Investing Cash Flow (B)	(771)	(3,167)	(1,606)	(1,543)	(1,483)
Interest Expense	(76)	(82)	(89)	(95)	(102)
Dividends	(1,850)	(2,285)	(3,081)	(3,557)	(4,058)
Others	112	463	120	132	145
Financing Cash Flow (C)	(1,814)	(1,904)	(3,049)	(3,520)	(4,015)
Net Cash Flow (A+B+C)	694	(93)	768	1,079	1,404

Source: Company, YES Sec – Research

## Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,285	16,158	18,490	13,197	15,111	17,728	8.2	6.9	4.3
EBITDA	6,706	7,638	8,621	6,069	7,076	8,358	10.5	7.9	3.1
Profit After Tax	4,739	5,472	6,242	4,262	5,050	6,045	11.2	8.3	3.3

Source: Company, YES Sec – Research

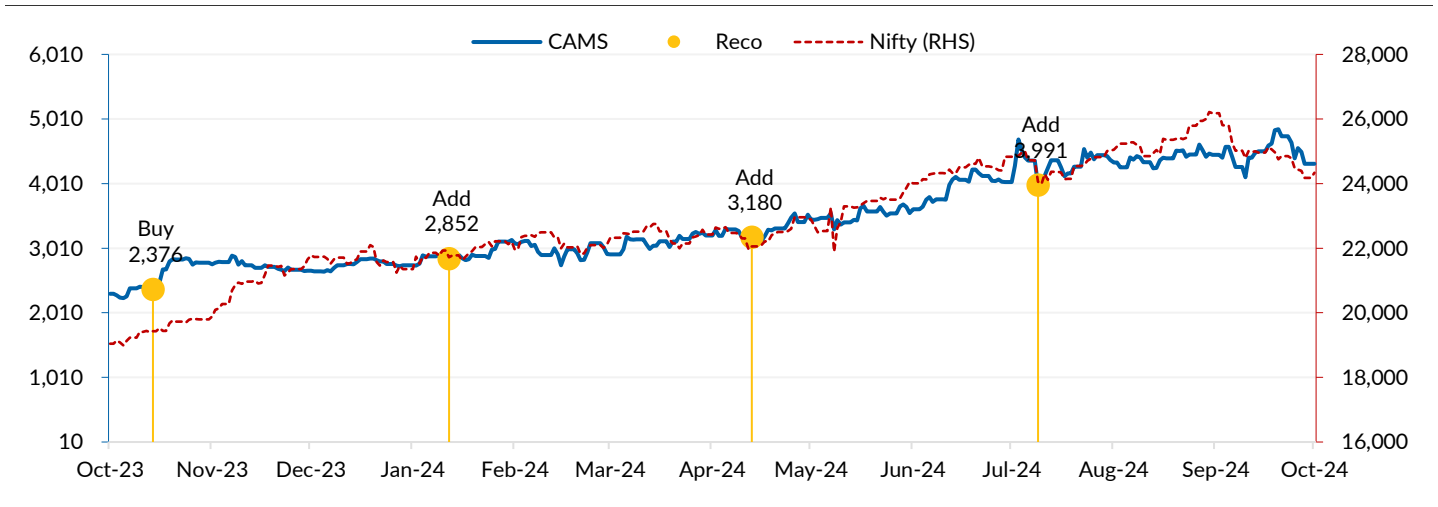


## Exhibit 9: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth ratios (%)</b>					
Revenue	6.8%	16.9%	25.7%	13.1%	14.4%
Profit Before Tax	-0.6%	22.8%	35.4%	15.4%	14.1%
Net profit	-0.8%	23.3%	35.0%	15.4%	14.1%
<b>Operating Ratios</b>					
EBITDA Margin	43.3%	44.4%	46.9%	47.3%	46.6%
PBT Margin	39.1%	41.1%	44.2%	45.2%	45.0%
PAT Margin	29.3%	30.9%	33.2%	33.9%	33.8%
Return on Equity	39.9%	41.7%	47.5%	46.5%	45.2%
Dividend Payout Ratio	64.8%	64.6%	65.0%	65.0%	65.0%
<b>Per share figures</b>					
Earnings per share	58	72	96	111	127
Book value per share	160	186	220	259	303
<b>Valuation Ratios</b>					
P/E	74.1	59.9	44.7	38.7	34.0
P/BV	27.0	23.2	19.6	16.7	14.2
Dividend Yield	0.9%	1.1%	1.5%	1.7%	1.9%

Source: Company, YES Sec – Research

## Recommendation Tracker



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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit, Suraj Singhania

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