

August 5, 2024

RESULT REPORT Q1 FY25 | Sector: Asset Managers / Specialty Finance

Computer Age Management Services

Strong growth outlook but largely priced in

Our view – Both MF and non-MF segments see strong revenue growth

Asset-Based Mutual Fund Revenue – Robust growth in underline assets but yields were broadly stable: Asset-based mutual fund revenue was up 7.7%/26.8% QoQ/YoY to Rs 2.42bn, lagging the growth in AAUM serviced by CAMS, which was up 8.3% QoQ and 34.3% YoY. The company has mentioned that sequentially the yield during the quarter was stable with depletion of less than 1%.

Non-Mutual Fund Revenue – Strong growth in Non-mutual fund revenue was maintained and its share in revenue to further inch higher: Non-mutual fund revenue rose 4.8%/30.7% QoQ/YoY, driven sequentially by growth in CAMSPay, CAMSKRA and other revenue. The contribution of non-mutual fund revenue was at 13.3%, up by 40bps YoY. The company expects that non-MF revenue could grow by mid to high 20s for coming 1-2 more quarters. The company would also endeavour to increase the share of non-MF based revenue by 2% points every year and take it to 20% in coming 3 years.

Operating Expense – Operating expense rise sequentially due to increments and direct expenses: Employee expense was at Rs 1,130mn, up 7.8%/19% QoQ/YoY, driven on YoY basis by annual increments and additional hirings. Other Opex was at Rs 686mn, up 10%/21.9% QoQ/YoY, driven YoY largely by direct expenses. CAMS has initiated a project to move its mutual fund-based RTA business to cloud. It will take 4-5 years to complete the project. The net impact of this initiative would be around 0.5% on profitability in the initial period till efficiencies start to accrue.

We maintain ADD rating on CAMS with a revised price target of Rs 4450: We value CAMS at 43x FY26 P/E at which CAMS would trade at 17.6x FY26 P/B.

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

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

- **Non-Asset Based Mutual Fund Revenue:** Non-asset-based mutual fund revenue rose 3.7%/23.4% QoQ/YoY, driven by transaction revenue and call center revenue.
- **Operating profit margin:** Calculated Operating EBITDA amounted to Rs 1,498mn for the quarter, translating to an EBITDA margin of 45.2%, down -97bps QoQ.

Exhibit 1: Result table – Consolidated Financials

(Rs mn)	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
Revenue	3,314	2,613	26.8%	3,105	6.7%
Employee expenses	1,130	950	19.0%	1,048	7.8%
As % of revenue	34.1%	36.3%	-224bps	33.7%	35bps
Other Expenses	686	563	21.9%	623	10.0%
As % of revenue	20.7%	21.5%	-84bps	20.1%	62bps
Total Expenses	1,816	1,512	20.1%	1,671	8.7%
As % of revenue	54.8%	57.9%	-309bps	53.8%	97bps
EBIDTA	1,498	1,101	36.1%	1,433	4.5%
EBIDTA Margin	45.2%	42.1%	309bps	46.2%	-97bps
Other Income	117	97	21.0%	114	2.4%
Interest	21	20	5.5%	21	1.3%
Depreciation	170	165	2.9%	181	-6.2%
PBT	1,424	1,012	40.7%	1,346	5.8%
Tax	354	255	38.8%	316	12.2%
Tax Rate	24.9%	25.2%	-34bps	23.5%	142bps
PAT	1,070	757	41.3%	1,030	3.9%
PAT Margin	32.3%	29.0%	331bps	33.2%	-90bps

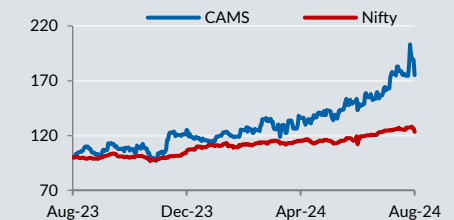
Source: Company, YES Sec-Research

Recommendation	: ADD
Current price	: Rs 3,991
Target price	: Rs 4,450
Potential return	: +11%

Stock data (as on August 5, 2024)

Nifty	24,056
52 Week h/l (Rs)	4910 / 2230
Market cap (Rs/USD mn)	217274 / 2585
Outstanding Shares (mn)	49
6m Avg t/o (Rs mn):	1,202
Div yield (%):	1.2
Bloomberg code:	CAMS IN
NSE code:	CAMS

Stock performance



	1M	3M	1Y
Absolute return	7.4%	22.6%	75.0%

Shareholding pattern (As of Jun'24 end)

Promoter	0.0%
FII+DII	75.9%
Others	24.1%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	4450	4200

Financial Summary

Rs mn	FY24	FY25E	FY26E
Net Revenue	11,365	13,197	15,111
YoY Growth	17%	16%	15%
EBITDA	5,049	6,069	7,076
EBIDTA Margin	44.4%	46.0%	46.8%
PAT	3,510	4,262	5,050
YoY Growth	23%	21.4%	18.5%
ROE	42%	43.1%	43.8%
EPS (Rs)	72	87	103
P/E (x)	55.5	46.0	38.8
BV (Rs)	186	216	252
P/BV (x)	21.4	18.4	15.8

Δ in earnings estimates

Rs.	FY24	FY25E	FY26E
EPS (New)	NA	86.7	102.8
EPS (Old)	NA	84.3	100.6
% change	NA	2.8%	2.1%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Revenue aspects

- **Revenue during the quarter**
 - Total revenue was up 26.8% YoY and 6.7% QoQ to Rs 3.3bn in 1QFY25.
 - **Revenue split**
 - **Mutual fund revenue**
 - Mutual fund asset-based revenue was up 26.8% YoY and 7.7% QoQ
 - Mutual fund non-asset based revenue was up 23.4% YoY and 3.7% QoQ
 - The non-asset based revenue was driven largely by transaction revenue which grew 30% YoY and Call center revenue which grew 23% YoY.
 - **Segmental Non-Asset Based MF Revenue**
 - Transaction Fee- Rs. 0.18bn
 - Application Fee- Rs. 0.09bn
 - Call Center- Rs. 0.08bn
 - OPE- Rs. 0.11bn
 - **Non-mutual fund revenue**
 - Non-mutual fund revenue was up 30.7% YoY and 4.8% QoQ
 - Share of non-mutual fund revenue in total revenue was at 13.3%, up 40bps YoY
 - The non-mutual fund revenue growth was driven sequentially by CAMS Pay, KRA and other revenue
 - **Segmental share in overall revenue in 1QFY25**
 - CAMSKRA contributed 3.7%
 - CAMSPay contributed around 3.2%.
 - AIF services contributed 2.7%.
 - Insurance repository services contributed 1.3%.
 - Think360 contributed 1.2%
 - **Guidance**
 - The share of non-mutual fund business to increase by around 2% every year
 - The share of non-mutual fund revenue to reach 20% of total revenue in next 3 years
 - The non-MF revenue could grow by mid to high 20s for 1-2 more quarters
 - **Revenue yield**
 - Yield was fairly stable QoQ with a depletion of 0.7% QoQ.
 - The share of Equity in overall AUM has improved which has helped in maintaining the yields

Migration of MF-based RTA Business to Cloud

- CAMS has collaborated with Google Cloud to build its Cloud-Native platform to Transform its Asset Management Business Services
- The project will take 4-5 years to complete
- The company would complete the project in a staggered manner and move services gradually on cloud
- The first module will get implemented in a year's time
- The net impact of this initiative would be around 0.5% on profitability in the initial period till efficiencies start to accrue

(Con call takeaways continue on the next page)

- This would give the company lot of flexibility in managing seasonality of workload and manage the related direct cost better
- The company currently has 3 data centers of which 2 are within the existing company building and 1 is on contact
- The company don't expect any salvage value from the existing hardware of these data centers

Opex aspects

- **Employee Expense**
 - Employee expense was at Rs 1,130mn, up 19% YoY and 7.8% QoQ
 - **Reason for YoY Increase**
 - Of the absolute Rs 180mn YoY increase in employee cost, Rs 80mn was due to annual increments and balance on account of new hirings
 - The company is focused on hiring from best institutes for creating new leaders for future growth
 - The company expects the employee cost will not go up much from current levels for the balance part of the year
- **Other Operating Expense**
 - Other Operating expense was at Rs 686mn, up 21.9% YoY and 10% QoQ
 - **Reason for YoY Increase**
 - The YoY increase in other expenses was largely driven by direct expenses
 - The company expects the increase in other operating expense to broadly match the increase in revenue
 - Except, the Mutual fund business all other businesses are on cloud

Profitability aspects

- **EBITDA**
 - **Operating EBITDA**
 - Operating EBITDA on IndAS basis was at Rs 1,498mn, up 36.1% YoY and 4.5% QoQ
 - **EBITDA margin**
 - EBITDA margin for the quarter on IndAS basis was at 45.2% as against 42.1% in 1QFY24

Cash and Cash Equivalents

- Cash & Cash Equivalent as on June-24 was Rs. 7.18bn
- Cash & Cash Equivalent balance is before disbursement of final dividend of Rs. 0.8bn

Dividend

- The board has approved interim dividend of Rs. 11 per share in 1QFY25

Underlying business aspects

- **Overall AUM**
 - Market share for CAMS in overall AAUM for 1QFY25 stood at 68%.
 - AUM serviced by CAMS amounted to Rs 40.3trn, up 34.7% YoY and 8.5% QoQ.

(Con call takeaways continue on the next page)

- **Equity segment**
 - **Equity AUM**
 - Equity AUM serviced by CAMS was at Rs 21.5 trn, up 55.8% YoY and 11.3% QoQ.
 - Share of Equity in AUM was at 53.2% up 670bps QoQ and 130bps YoY.
 - Market share in equity assets was 66% in 1QFY25 against 65% in 1QFY24
- **Transactions**
 - Transactions in the quarter were 190.6mn, up 8.5% QoQ and 48.6% YoY.
- **SIP registrations and collection**
 - SIP book accounts amounted to 50.8mn, up 36% YoY and 5% QoQ.
 - Systematic transaction processed stood at 151.8mn, up 44% YoY and 9% QoQ
- **Live investor folios**
 - Live investor folios amounted to 78.3mn, up 30% YoY and 8% QoQ.
- **Unique investors serviced**
 - Unique investors serviced amounted to 34.1mn, up 28% YoY and 7% QoQ.

Key segmental developments and related aspects

- **Insurance repository business**
 - 5 new clients onboarded in Q1, including 3 non-life insurers
 - CAMS Rep has achieved eIA additions & policy conversions of around 1mn in 1QFY25
 - CAMS Rep has completed integration of SBI General with Bima Central, a platform for eIA sign up and policy servicing for customers
 - One of the leading life insurer has migrated the entire in-force policy base to CAMSRep
 - CAMS Rep holds more than 40% market share in E-insurance policies
- **AIF and PMS business**
 - AIF segment revenue was up ~12% YoY
 - The company has won 36 new mandates
 - There are total 18 clients from GIFT City including first overseas fund administration contract signed in 1QFY25
 - CAMS has expanded its presence in in GIFT city with additional office space
 - CAMS WealthServ have 148 sign-ups
 - Assets under service in CAMS alternatives were at Rs 2.26 Tn
 - **On AIF Pricing**
 - In the AIF business, for close ended funds with 1,000 investors the client's preference for pricing is on number of investors
 - The contracts are slab based and are not determined by AUM but number of customers
 - Less than 20% of the funds' pricing are based on AUM
 - The effective yield is 1.25-1.5bps in the RTA business for AIFs
 - The target for AIF revenue growth is 15-20%
- **CAMSPay**
 - CAMSPay registered a revenue growth of 44% YoY and 21% QoQ in 1QFY25
 - CAMSPay has been empaneled by Canara Bank, Indian Bank and HSBC as PA to onboard and support the Bank's merchants
 - UPI volumes increased 35% MoM with June-24 recording 1.3 million UPI autopay registrations
 - CAMSPay added 25 new logos in 1QFY25 predominantly with NBFCs such as ICICI Home Loans and Neo First

(Con call takeaways continue on the next page)

- **Finserv - Account aggregator (AA) and TSP business**
 - CAMSFinserv registers a revenue growth of 300% YoY albeit from a small base
 - 115 FIUs clients were live in Q1FY25
 - The company had a market share of 16% (in linked accounts) during the quarter
 - **Guidance:**
 - Quarterly revenue is in the range of Rs. 0.01-0.02 bn and the company expects total revenue of Rs. 0.07bn in FY25
 - The company targets revenue of Rs. 0.12bn in FY26 from account aggregator business
 - The company expects to breakeven in the accounts aggregator business in FY26
- **CAMS KRA**
 - CAMS KRA revenue grew by 101% YoY and 11% QoQ
 - CAMS KRA added 31 new financial institutions and FinTech's as its customers
- **Fintuple**
 - Fintuple's new unified platform integrates all of Custody, Clearing, Fund Accounting, Treasury & Forex services digitally under one roof
 - Fintuple is building capabilities for onboarding FPIs and FDIs and also for Capital Markets Groups in banks
- **Think360AI**
 - Think 360 has been empaneled by LIC as a Fintech Enabler
 - Think 360 has won the first mandate for Affluence 360, a Data analytics platform for mutual funds
 - **Reason for de-growth in revenue**
 - The demand for the company's Algo360 product was not as expected
 - There was no scale-up in revenue from one large US client

Exhibit 2: Revenue Break-up

Ra mn	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
Total Revenue	3,314	2,613	26.8%	3,105	6.7%
Revenue Break-up (% Proportion)					
Mutual Fund	86.7%	87.4%	-70bps	86.5%	20bps
MF-Assets Based	73.0%	73.0%	0bps	72.3%	70bps
MF-Non assets Based	13.7%	14.4%	-70bps	14.2%	-50bps
Non-Mutual Fund	13.3%	12.6%	70bps	13.5%	-20bps
AIF	2.7%	2.8%	-10bps	3.0%	-30bps
CAMS Pay	3.2%	2.8%	40bps	2.8%	40bps
CAMS REP	1.3%	1.5%	-20bps	1.7%	-40bps
Think360 AI	1.2%	1.8%	-60bps	1.3%	-10bps
CAMSKRA	3.7%	2.3%	140bps	3.5%	20bps
Others	1.2%	1.4%	-20bps	1.2%	0bps

Source: Company, YES Sec – Research

Exhibit 3: Other Business Parameters

(in mn)	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
MF AAUM Serviced (Rs Bn)	40,300	30,000	34.3%	37,200	8.3%
Market Share	68.0%	68.7%	-70bps	68.0%	0bps
Share of Equity AAUM	53.2%	46.5%	670bps	51.9%	130bps
Transaction Volume	190.6	128.3	48.6%	175.7	8.5%
SIP Book	50.8	37.3	36.2%	48.5	4.7%
Systematic Transaction Processed	151.8	105.1	44.4%	139.0	9.2%
Live Investor Folio	78.3	60.0	30.5%	72.7	7.7%
Unique Investor Serviced	34.1	26.6	28.2%	32.0	6.6%

Source: Company, YES Sec – Research

Exhibit 4: Quarterly Actuals Vs Estimates

Q1FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	3,314	3,431	-3.4
EBITDA	1,498	1,583	-5.4
PAT	1,070	1,149	-7.0

Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 5: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity	489	490	491	491	491
Reserves	5,987	7,327	8,654	10,146	11,913
Net worth	6,476	7,817	9,145	10,637	12,405
Minority interest	0	7	11	11	11
Other Financial Liability	624	735	1,198	1,318	1,450
Provisions	728	720	721	793	872
Trade Payables	490	469	646	750	859
Provisions	135	95	132	146	160
Other Non Current Liabilities	1,114	1,119	2,281	2,509	2,760
Total Equity & Liabilities	9,567	10,963	14,135	16,164	18,517
Net Fixed Assets	3,143	3,413	3,889	3,670	3,406
Investments	0	0	0	0	0
Loans	117	131	161	177	194
Deferred Tax Assets	101	89	130	143	157
Other Non Current Assets	23	26	14	15	17
Investments	3,169	3,298	4,066	5,266	6,466
Trade Receivables	255	330	649	753	862
Cash & Bank	1,508	2,203	2,111	2,713	3,644
Other Current Assets	1,250	1,473	3,116	3,428	3,771
Total Assets	9,567	10,963	14,135	16,164	18,517

Source: Company, YES Sec – Research

Exhibit 6: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	9,097	9,718	11,365	13,197	15,111
Employee Expenses	3,218	3,581	3,972	4,418	4,915
Operating Expenses	930	1,123	1,315	1,504	1,723
Other Expenses	708	803	1,030	1,205	1,397
EBITDA	4,241	4,212	5,049	6,069	7,076
Other Income	173	268	406	421	517
Depreciation	516	603	705	719	764
Interest Expense	71	76	82	89	95
PBT	3,826	3,802	4,668	5,683	6,734
Tax	957	956	1,159	1,421	1,683
PAT	2,869	2,846	3,510	4,262	5,050

Source: Company, YES Sec – Research

Exhibit 7: Cashflow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PAT	2,869	2,846	3,510	4,262	5,050
Adjustments -					
Depreciation	490	412	661	719	764
Finance cost	71	76	82	89	95
Other Income	(173)	(268)	(406)	(421)	(517)
Other Non-Cash items	333	343	102	0	0
Working Capital	(107)	(130)	1,030	299	329
Operating Cashflow (A)	3,484	3,279	4,979	4,947	5,721
Capex	(792)	(682)	(1,136)	(500)	(500)
Investments	(814)	(129)	(767)	(1,200)	(1,200)
Other Income	173	268	406	421	517
Others	(367)	(228)	(1,670)	(328)	(360)
Investing Cash Flow (B)	(1,801)	(771)	(3,167)	(1,606)	(1,543)
Interest Expense	(71)	(76)	(82)	(89)	(95)
Dividends	(1,886)	(1,850)	(2,285)	(2,771)	(3,283)
Others	(22)	112	463	120	132
Financing Cash Flow (C)	(1,979)	(1,814)	(1,904)	(2,739)	(3,246)
Net Cash Flow (A+B+C)	(296)	694	(93)	602	932

Source: Company, YES Sec – Research

Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	NA	13,197	15,111	NA	12,906	14,784	NA	2.3	2.2
EBITDA	NA	6,069	7,076	NA	5,916	6,937	NA	2.6	2.0
Profit After Tax	NA	4,262	5,050	NA	4,145	4,945	NA	2.8	2.1

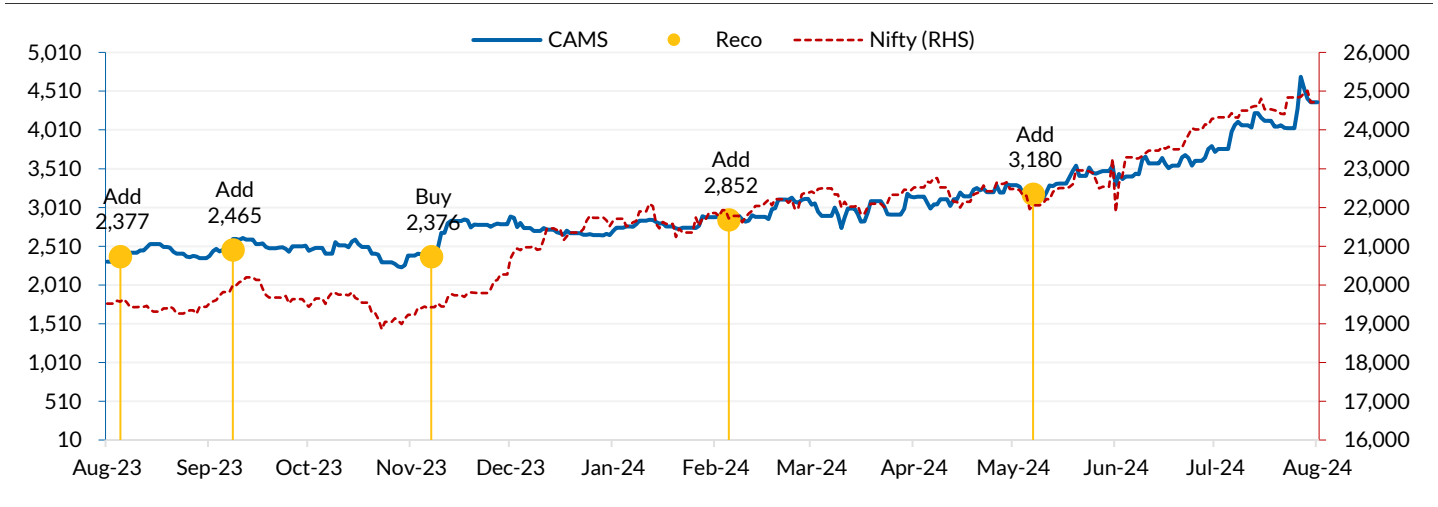
Source: Company, YES Sec – Research

Exhibit 9: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth ratios (%)					
Revenue	28.9%	6.8%	16.9%	16.1%	14.5%
Profit Before Tax	39.4%	-0.6%	22.8%	21.7%	18.5%
Net profit	39.8%	-0.8%	23.3%	21.4%	18.5%
Operating Ratios					
EBITDA Margin	46.6%	43.3%	44.4%	46.0%	46.8%
PBT Margin	42.1%	39.1%	41.1%	43.1%	44.6%
PAT Margin	31.5%	29.3%	30.9%	32.3%	33.4%
Return on Equity	49.3%	39.9%	41.7%	43.1%	43.8%
Dividend Payout Ratio	65.7%	64.8%	64.6%	65.0%	65.0%
Per share figures					
Earnings per share	59	58	72	87	103
Book value per share	132	160	186	216	252
Valuation Ratios					
P/E	68.0	68.6	55.5	46.0	38.8
P/BV	30.1	25.0	21.4	18.4	15.8
Dividend Yield	1.0%	0.9%	1.2%	1.4%	1.7%

Source: Company, YES Sec – Research

Recommendation Tracker



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