February 12, 2021

Result Report Q3FY21 | Sector: AMC

Computer Age Management

BUY	CMP Rs1930	Target Rs 2319	Upside 20%

Strong performance – Ahead of estimates

- ✓ **Revenue –** Revenue came at Rs.1.86bn against our estimate of Rs.1.82bn. It was a growth of 6% on YoY basis and 9% on sequential basis.
- ✓ **EBITDA -** EBITDA stood at Rs.819mn against our estimate of Rs.779mn. EBITDA margin stood at 44% against our estimate of 43%, expanding by 446bps on YoY basis. On sequential basis, operating expenses saw a sharp jump of 20% led by normalization of the economic activities.
- ✓ **PAT** – PAT came at Rs.564mn v/s our estimate of Rs.539mn, growing by 22% on yoy basis and 15% on sequential basis.
- ✓ **Interim Dividend -** Declared an interim dividend of Rs.7.60/- per equity share
- ✓ **Change in Estimates -** 9MFY21 EPS stands at Rs.30 which is 72% of our FY21 estimate of Rs.42.
- ✓ **Valuation –** CAMS is trading at 33.6x PE of FY23 EPS.

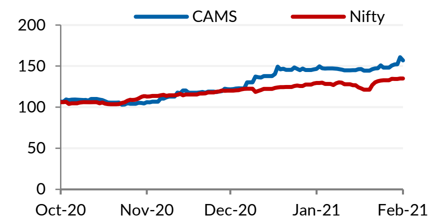
Our view: We remain positive on CAMS business given our house view of robust equity market performance in the years to come. Also steady market share gains with 1) FT addition and 2) consolidation of market share amongst top 10 AMCs bodes well for CAMS. Non MF businesses will gain traction over the medium term especially AIFs and the payment business (the share of which is minimal currently). EBIDTA margins reported in the current quarter are sustainable and will possibly see some expansion over the medium term. We raise our estimates to factor in 1) higher market return expectations from 12% to 15% and 2) higher EBIDTA margins. This has resulted in our EPS estimates for FY22 and FY23 increasing by 9% and 9.5% respectively. We also raise our target multiple from 35x FY23E EPS to 37x FY23E EPS leading to our 1-year target price increasing from Rs2,000 to Rs2,319. Reiterate BUY

Rs Mn	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ	Q3FY21E
Revenue	1,860	1,760	6%	1,711	9%	1,817
Employee cost	643	646	0%	624	3%	654
Operating cost	230	235	-2%	192	20%	211
Other Expenses	167	182	-8%	157	6%	173
Total Expenses	1,040	1,063	-2%	973	7%	1,037
EBIDTA	819	697	18%	738	11%	779
EBITDA Margin	44%	40%	446bps	43%	91bps	43%
Other Income	64	67	-5%	51	26%	58
Interest	20	26	-24%	20	-3%	20
Depreciation	108	129	-17%	108	0%	108
PBT	756	610	24%	661	14%	709
Tax	192	148	30%	171	12%	170
Tax Rate	25%	24%	117bps	26%	-58bps	24%
PAT	564	462	22%	490	15%	539
PAT Margin	30%	26%	408bps	29%	175bps	30%

Stock data (as on Feb 12, 2021)

Nifty	15,163
52 Week h/l (Rs)	2023 / 1260
Market cap (Rs/USD mn)	94176 / 1294
Outstanding Shares (mn)	49
6m Avg t/o (Rs mn):	NA
Div yield (%):	0.4
Bloomberg code:	CAMS IN
NSE code:	CAMS

Stock performance



	1M	3M	1Y
Absolute return	7.1%	48.6%	NA

Shareholding pattern (As of Dec'20 end)

Promoter	30.98%
FII+DII	48.40%
Others	20.61%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2319	2,000

Financial Summary

	FY20	FY21	FY22
Net Revenue	6,996	7,152	8,480
YoY Growth	1%	2%	19%
EBIDTA	2,873	2,998	3,601
YoY Growth	18%	4%	20%
PAT	1,735	2,075	2,476
YoY Growth	32.5%	19.6%	19.3%
ROE	35.4%	36.0%	38.1%
EPS	36	43	51
P/E	54.3	45.4	38.0
BV	111	126	141
P/BV	17.4	15.4	13.7

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CONCALL TAKEWAYS

MF Business

- ✓ FT transition is progressing well, ready to go live by April and May 2021.
- ✓ MyCAMS grew by 30% q/q
- ✓ Growth in Asset based Revenue mainly on account of AUM growth and asset mix.
- ✓ MF transactions stands at ~15% for the quarter.
- ✓ Transaction volume at 85% at last year's level.
- ✓ Realization loss is on back of TER structure and occasional rate re-negotiation with clients.
- ✓ EBITDA Improvement due to – (1) Traditionally MF revenue contributed to 87% which has moved to ~90% (2) Some amount of lag between transaction volume and associated cost incurred.
- ✓ Margin expected to be in the range of 38-39% as compared to 41% in the current quarter, (appears conservative).

Non – MF Business

- ✓ Non-MF revenue impacted by shutting down of the Banking and non-banking services business, impact in insurance business and drop in ECS transactions
- ✓ Account aggregator is new concept in India, this creates a seamless links between financial service provider and information provider to them. There is no industry size estimate available, business will start contributing to revenue by 2022. Believed to have good opportunity.
- ✓ In terms of NPS business, one is to provide platform and the other is to acquire corporate clients. There is a fee structure to be charged to the clients.
- ✓ Overall MF platforms expanded to PMS and AIF business.
- ✓ CRA in sweet spot because it deals with investor service for which CAMS has business specialization.
- ✓ Time being not exploring any overseas opportunity, but may look at it in future.
- ✓ Huge expansion in payment and remain bullish on this business. Market place is crowded and competitive except for ENACH with MF which is at a good spot.
- ✓ These business are technology driven and margin accretive.
- ✓ Insurance Repository received licensed in 2011-2012, mature offering and shall benefit once there is trend change in the business. At some point of time, e-policies can become mandatory. Historically, insurance has been sold through agency channel, who are comfortable with paper format and in turn restricting traction in e-policies.
- ✓ Payment, AIF and Insurance channel has fallen down by certain bps (Each contribute to ~3% of Total Revenue). Payment and AIF business continues to remain profitable, however, Insurance is at breakeven due to adverse impact from lower transactions.
- ✓ Non-MF revenue to gain share needs to grow faster than MF business. The management aspires to bring the share of these business in mid-teens to aid revenue diversification.

Cost

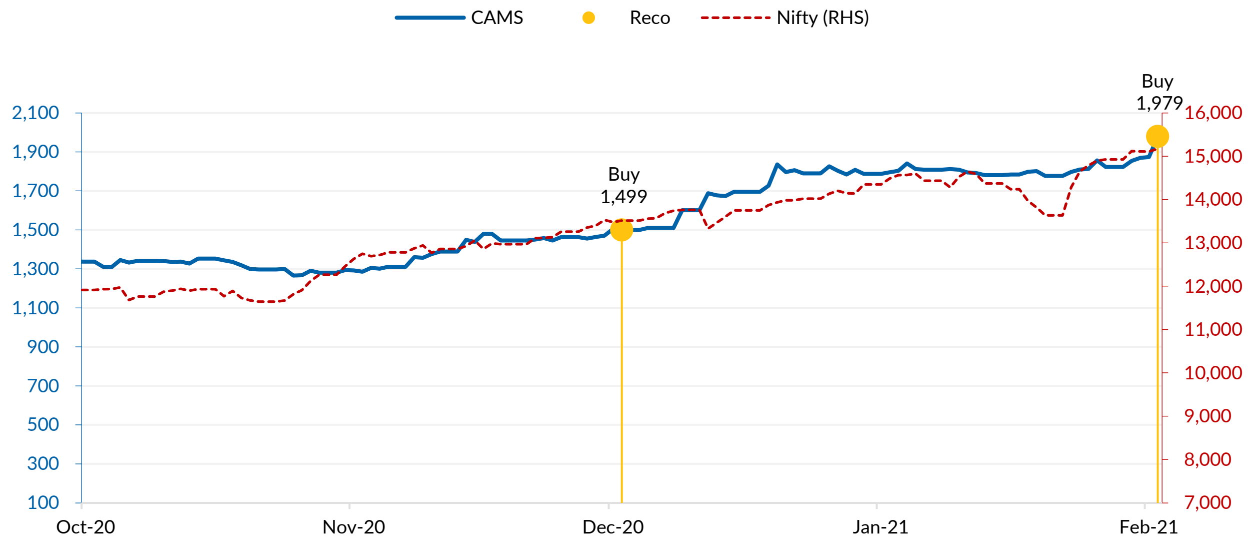
- ✓ Automation of activities has helped cost rationalization.
- ✓ Some amount of cost increase to be seen in next quarter.
- ✓ Slowdown in Capex in last 2 quarter, expected to reach the normalized level (almost at depreciation level) by next quarter.

- ✓ No exceptional cost in this quarter, spurt in operating expenses mainly due to increase in reimbursement cost.

Others

- ✓ Dividend received from the subsidiary (Rs 250mn) is not part of standalone business therefore major difference in standalone and consolidated revenue.
- ✓ No change in dividend policy (65% of the PAT)

Recommendation Tracker



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