

Computer Age Management Services Ltd

BUY

CMP Rs2,420

Target Rs2,636

Upside 9%

Result Highlights

- ✓ **Revenue** - Revenue at Rs.2bn was almost in line with our estimate. It was a growth of 14% on YoY basis and 7% on sequential basis. Asset based MF revenue was higher by 18.5% yoy, Non-asset based MF revenue jumped 20.9% yoy, whereas non-MF revenue was lower by 15.9% yoy (mainly owing to discontinuance of banking segment). Overall AAUM managed by CAMS was higher by 19.2% yoy whereas Equity AAUM was higher by 18.5% yoy.
- ✓ **EBITDA** - EBITDA stood at Rs.891mn against our estimate of Rs.886mn. EBITDA margin stood at 45% against our estimate of 44%, expanding by 52bps on sequential basis and on yoy basis saw a slight dip of 86bps on back of lower operating expenses in corresponding period owing to onset of pandemic.
- ✓ **PAT** - PAT came at Rs.602mn v/s our estimate of Rs631mn due to higher than expected tax rate and lower other income. PAT grew by 40% on yoy basis and 7% on sequential basis.
- ✓ **Final Dividend** - Proposed a final dividend of Rs.11.84/- per equity share

Our view: Post the strong performance in Q4 FY21, we have upgraded our earnings estimates for FY22 and FY23 by 6% and 10% respectively. The upgrade has come from 1) higher than forecasted AUM in the past few months and 2) consistently higher EBITDA margin in spite of a conservative commentary from the management. We are also raising our target multiple to 40x FY23E EPS to arrive at a fair value of Rs2,636. Maintain our BUY rating given the strength in franchise depicted by an expected 20%+ earnings CAGR, 40%+ RoE and 60%+ dividend payout.

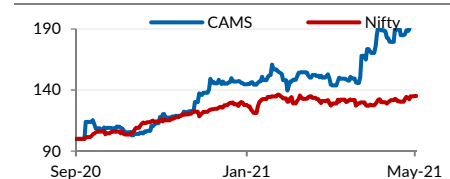
Exhibit 1: Result Table

(Rs mn)	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Revenue	1,998	1,748	14%	1,860	7%
Employee expenses	711	640	11%	643	11%
As % of revenue	35.6%	36.6%	-103bps	34.6%	99bps
Operating expenses	199	151	32%	230	-14%
As % of revenue	10.0%	8.6%	134bps	12.4%	-242bps
Other Expenses	197	163	21%	167	18%
As % of revenue	9.9%	9.3%	55bps	9.0%	92bps
Total Expenses	1,107	954	16%	1,040	6%
As % of revenue	55%	55%	86bps	56%	-52bps
EBIDTA	891	794	12%	819	9%
EBITDA Margin	44.6%	45.4%	-86bps	44.1%	52bps
Other Income	42	37	13%	64	-35%
Interest	17	24	-28%	20	-11%
Depreciation	106	132	-20%	108	-1%
PBT	809	675	20%	756	7%
Tax	207	244	-15%	192	8%
Tax Rate	26%	36%	-1055bps	25%	27bps
PAT	602	431	40%	564	7%
PAT Margin	30%	25%	547bps	30%	-24bps

Stock data (as on May 25, 2021)

Sensex:	15,208
52 Week h/l (Rs)	2619 / 1260
Market cap (Rs/USD mn)	120213 / 1652
Outstanding Shares	49
6m Avg t/o (Rs mn):	346
Div yield (%):	0.3
Bloomberg code:	CAMS IN
NSE code:	CAMS

Stock performance



	1M	3M	1Y
Absolute return	17.5%	36.3%	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	2636	2215

Financial Summary

(Rs mn)	FY22E	FY23E	FY24E
Net Revenue	8,881	10,276	11,954
YoY Growth	26%	16%	16%
EBIDTA	3,812	4,637	5,749
EBIDTA Margin	42.9%	45.1%	48.1%
PAT	2,576	3,216	4,071
YoY Growth	25.5%	24.8%	26.6%
ROE	46.5%	50.1%	54.2%
EPS	53	66	83
P/E	45.8	36.7	29.0
BV	122	141	166
P/BV	19.9	17.09	14.52

Δ in earnings estimates

	FY22e	FY23e
EPS (New)	53	66
EPS (Old)	50	60
% change	5.6%	9.8%

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CON-CALL HIGHLIGHTS

✓ Overall

- Highest ever Transaction Volumes in Q4FY21 at 17.2mn.
- Letter of intent signed up with 15 entities for CAMSFinserv Account Aggregator business.
- Commenced platform development for NPS CRA business.
- Hired new Chief Platform officer and CRO in last 4 months. The Platform officer position was vacant for about a year. CRO is an upgraded position from Risk officer with significant capabilities in Non-capital market.
- SIP flows were steady but since March lumpsum has started showing positive flows.
- Degrowth of 16% in Non – MF revenue in Q4FY21 on YoY basis was mainly driven by shut down of the banking services business.
- Due to pandemic last year, all the branches were shut down. Not more than 1/4th branches i.e. out of 270 branches not more than 60 branches shut down at any one period of time in current year.
- Yields – Yields were held because of (1) mix between Debt and Liquid improved consistently (2) equity AUM has improved (3) In new rate negotiations there were new terms.
- Revenue concentration of top 5 players remains at similar levels of last year.
- Signed contract with FT in Aug 2020 and since then were progressing with the transition and the same is about to get completed within next 2-3 weeks. Dates have got deferred by 8 weeks due to pandemic. So it should start contributing by end of Q1FY22. It will take some time to breakeven and be EBITDA positive by year end.
- On Account aggregator business – (1) Vital linkages with FIUs i.e. Banks – Building up traction with FIUs (2) Information provider is a muted progress. The revenue contribution is expected to commence by FY22.
- Certainly, want to increase the share of Non-MF revenue to 20% and have the right mix of business lines for the same.
- CAMSPay is a crowded area and very price sensitive. There is not much to differentiate once registered with merchant and banks.
- FY22 expected to be a normal year in terms of MF contract pricing. In growing AUM scenario, increase in price is not likely.
- Most of the strong new AMCs have been added to the client list in last 10 years. Will engage with upcoming AMCs as well.
- The offering like Edge 365 and GoCorp were added as complimentary services but aspire to monetize the same over the period.

✓ Cost

- Initial months of FY21 went slow on capex but spent Rs. 250mn over the year. Capex in FY22 is expected to be around Rs. 400mn. The major expense goes on software development but that is expensed out as employee expense rather than capitalized.
- Employee cost has been in the range of 35% of revenue historically but its driven by transaction volume with a lag of time period.

- ✓ Others
 - Dividend payout policy at 65% of PAT.
 - Have primary backup for all MF data. For newer offerings evaluating cloud storage. For Payment business it's entirely cloud storage.

FINANCIALS

Exhibit 2: Balance sheet

Y/e 31 Mar (Rs mn)	FY21	FY22E	FY23E	FY24E
Equity	488	488	488	488
Reserves	4,671	5,444	6,408	7,629
Net worth	5,159	5,932	6,896	8,117
Other Financial Liability	645	710	781	859
Provisions	749	824	906	997
Trade Payables	529	457	528	615
Provisions	146	161	177	195
Other Non Current Liabilities	1,191	1,310	1,441	1,585
Total Equity & Liabilities	8,419	9,393	10,729	12,367
Net Fixed Assets	2,840	2,657	2,620	2,540
Investments	5	5	5	5
Loans	110	121	133	146
Deferred Tax Assets	102	112	123	135
Other Non Current Assets	30	33	36	39
Investments	2,355	3,155	4,355	5,555
Trade Receivables	290	365	422	491
Cash & Bank	1,891	1,972	1,965	2,277
Other Current Assets	885	973	1,070	1,177
Total Assets	8,508	9,392	10,729	12,367

Exhibit 3: Income statement

Y/e 31 Mar (Rs mn)	FY21	FY22E	FY23E	FY24E
Revenue	7,055	8,881	10,276	11,954
Employee Expenses	2,624	3,201	3,585	3,943
Operating Expenses	768	1,059	1,149	1,247
Other Expenses	703	809	906	1,014
EBITDA	2,960	3,812	4,637	5,749
Other Income	298	205	283	361
Depreciation	434	494	537	579
Interest Expense	79	89	96	104
PBT	2,745	3,435	4,287	5,428
Tax	692	859	1,072	1,357
PAT	2,053	2,576	3,216	4,071

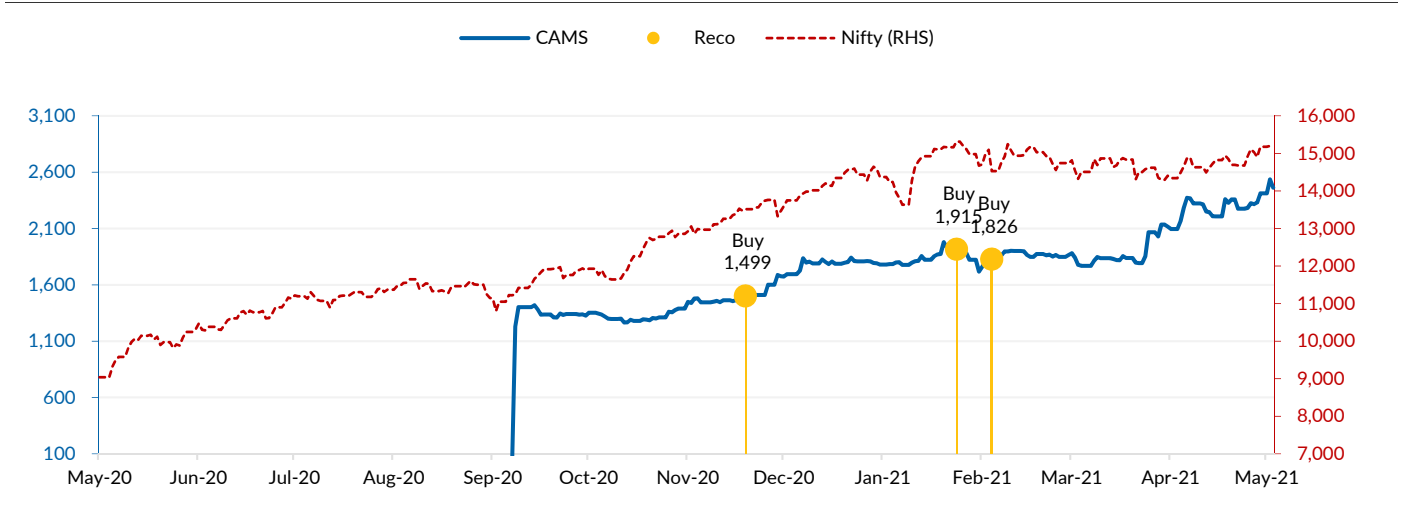
Exhibit 4: Cashflow

Y/e 31 Mar (Rs mn)	FY21	FY22E	FY23E	FY24E
PAT	2,053	2,576	3,216	4,071
Adjustments -				
Depreciation	434	494	537	579
Finance cost	79	89	96	104
Other Income	(298)	(205)	(283)	(361)
Other Non-Cash items	787	0	0	0
Working Capital	745	48	229	254
Operating Cashflow (A)	3,800	3,002	3,795	4,646
Capex	(200)	(400)	(500)	(500)
Investments	701	(800)	(1,200)	(1,200)
Other Income	298	205	283	361
Others	72	(99)	(109)	(120)
Investing Cash Flow (B)	870	(1,094)	(1,526)	(1,459)
Interest Expense	(79)	(89)	(96)	(104)
Dividends	(3,080)	(1,803)	(2,251)	(2,850)
Others	(127)	65	71	78
Financing Cash Flow (C)	(3,285)	(1,827)	(2,276)	(2,875)
Net Cash Flow (A+B+C)	1,385	81	(7)	312
Opening Cash and Equivalents	507	1,891	1,972	1,965
Closing Cash and Equivalents	1,891	1,972	1,965	2,277

Exhibit 5: Ratio analysis

Y/e 31 Mar	FY21	FY22E	FY23E	FY24E
Growth ratios (%)				
Revenue	0.8%	25.9%	15.7%	16.3%
Profit Before Tax	9.4%	25.1%	24.8%	26.6%
Net profit	18.4%	25.5%	24.8%	26.6%
Operating Ratios				
Operating Profit Margin	42.0%	42.9%	45.1%	48.1%
PBT Margin	38.9%	38.7%	41.7%	45.4%
PAT Margin	29.1%	29.0%	31.3%	34.1%
ROE	38.9%	46.5%	50.1%	54.2%
Dividend Payout Ratio	150.0%	70.0%	70.0%	70.0%
Per share				
EPS	42	53	66	83
Book Value	106	122	141	166
Valuation Ratios				
P/E	57.4	45.8	36.7	29.0
P/BV	22.9	19.9	17.1	14.5
Dividend Yield	2.6%	1.5%	1.9%	2.4%

Recommendation Tracker



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