

# Computer Age Management Services Ltd (CAMS)

July 18, 2022

Time Horizon – 12 Months

CMP: ₹2297

Target: ₹2800

ANAND RATHI  
INVESTMENT SERVICES

VALUE

PICK

Key Data	
Bloomberg Code	CAMS IN
NSE Code	CAMS
BSE Code	543232
Industry	IT
Face Value (₹)	10.0
BV per share (₹)	132
Dividend Yield (%)	1.7
52 Week L/H(₹)	2037 / 4067
Market Cap. (₹ Mn.)	1,12,396

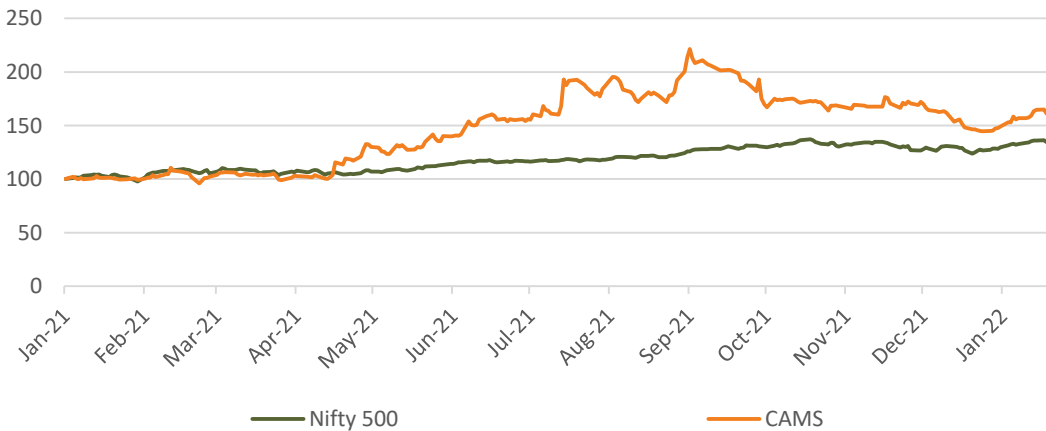
## Shareholding Pattern (as on March'22)

Particulars	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	31.0%	23.7.0%	23.7%	23.7%
Institutions	41.6%	43.7%	43.7%	44.0%
Others	27.4%	32.6%	32.6%	32.3%
Total	100%	100%	100%	100%

Source: Company, Anand Rathi Research, Bloomberg

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	7,055	9,097	10,188	11,615
EBITDA	2,749	4,165	4,765	5,468
EBITDA Margin	39.0%	45.8%	46.8%	47.1%
PAT	2,053	2,869	3,326	3,826
PAT Margin	29.1%	31.5%	32.6%	32.9%
EPS (₹)	42.0	58.6	68.0	78.2
P/E (x)	54.7	39.2	33.8	29.4

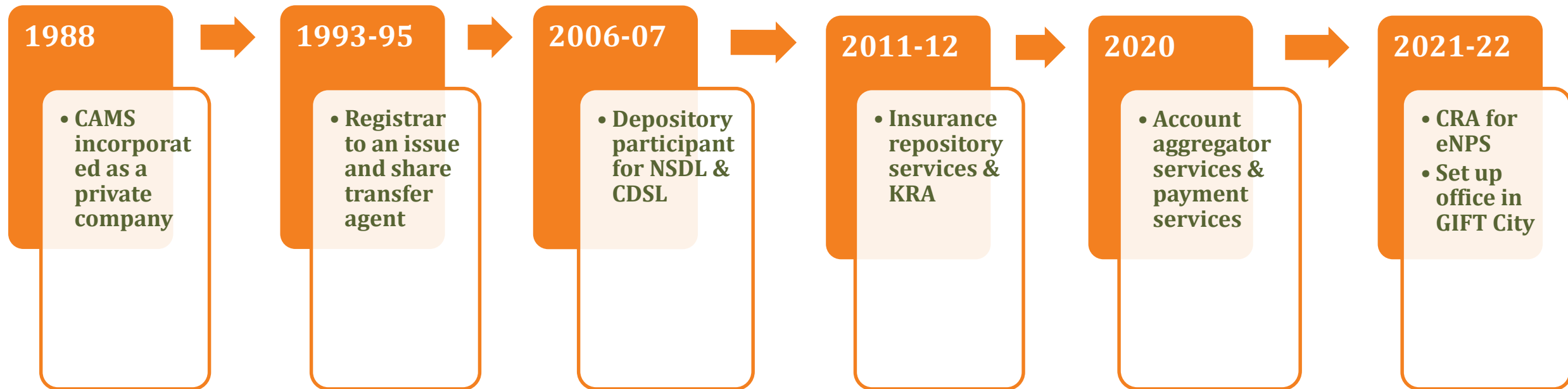
## Relative stock performance (Jan'21=100)

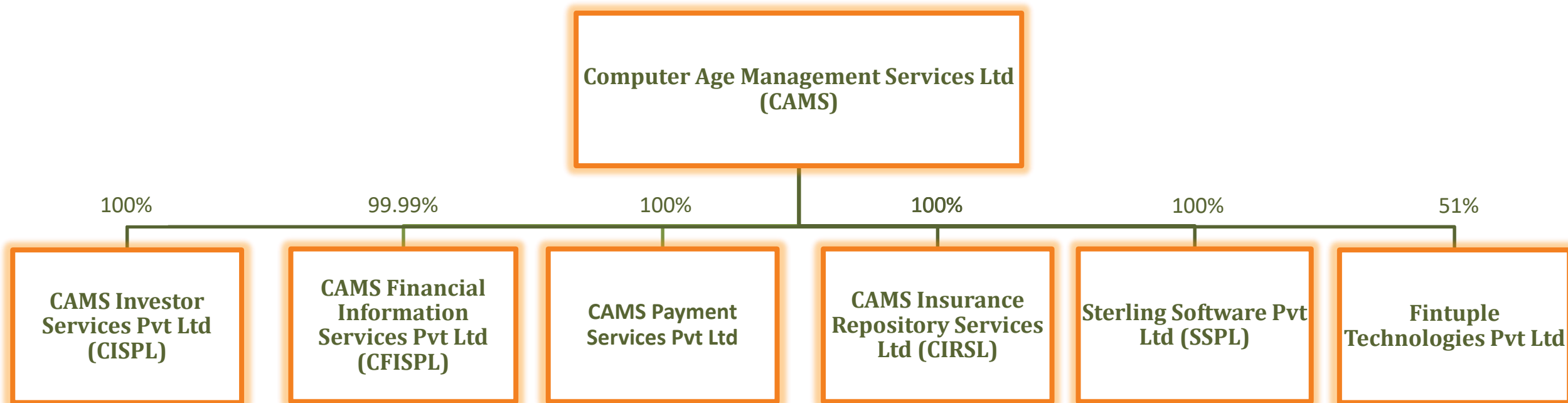


## Largest RTA for Mutual Funds

- ❖ Computer Age Management Services Ltd is India's largest registrar and transfer agent (RTA) for mutual funds with an aggregate market share of ~69% based on Q4-FY22 AAUM. It is a trusted partner to ten out of the fifteen largest (based on AAUM) mutual funds in India, including all the five largest. The company provides a range of technology-enabled infrastructure to mutual funds – Involved through the life cycle of an account from account creation to processing transactions and redemption of the amount invested.
- ❖ CAMS also offers electronic payment collections, insurance services, alternative investment funds (AIF), portfolio management services (PMS), KYC registration, central recordkeeping agency services for national pension system (NPS), account aggregator services (AA) and software solutions. The company's technology infrastructure and end-to-end value chain service capability, enables it to deliver top-notch quality and reliable services and makes it a partner of choice.
- ❖ Besides serving as a B2B service partner, CAMS also serves customers through a variety of touch points such as pan-India network of service centers, white label call center, online, mobile app and chatbot. The company has Pan-India physical network comprising 275 service centers spread over 25 states and 5 union territories.
- ❖ CAMS has 36.6% market share in insurance repository business as 31st March 2022, with ~4.1 million policies. The company provides services to assist with agent management, branch operations, processing of new business applications, servicing policies, renewal premium collections, back-office operations as well as physical infrastructure and facility management functions along with other permitted support functions.
- ❖ In the AIF services, CAMS is a market leader servicing 140 AIF/PMS clients. The company offers services such as creation of investor record, fund accounting services and reconciliation and creation of MIS and reporting systems. It also offers intermediaries revenue management and investor service management.
- ❖ CAMS foray into emerging business opportunity including account aggregator (AA) platform & CRA for NPS is expected to gain further traction. The AA platform facilitates the secure sharing of financial asset information with customer consent. It is designed to streamline the sharing of asset information online between Financial Information Users (FIUs) and Financial Information Providers (FIPs). Currently nine entities have joined the ecosystem including HDFC Bank, ICICI Bank, Kotak Bank, Axis Bank among others. In the eNPS business which was launched in March 2022, CAMS achieved 4.1% market share in eNPS registrations for the month of April 2022 making it #2 in the eNPS CRA industry.
- ❖ Mutual fund industry is projected to sustain high growth trajectory of 13-14% CAGR between FY22-27, driven by corporate earnings growth, higher disposable income, financial savings, deeper regional penetration, better awareness and ease of investing. We believe CAMS is well placed in the financial services ecosystem as financial investment and insurance are becoming preferable options of investment compared to physical assets. We initiate our coverage on CAMS with a **BUY** rating with a target price of **₹2800 per share**.

## Milestones





## Diverse Business Offerings



### Services for Mutual funds

CAMS has served the Mutual Fund industry for over two decades with a proprietary technology platform that powers the full range of investor and intermediary services, transaction processing, record keeping and regulatory compliance.



### Alternative Investment Fund (AIF) Service & Portfolio Management Services (PMS)

CAMS provides Platform-based services to investors, manage records and perform fund accounting and reporting services for alternative investment and other types of funds. It is a market leader in the space catering to 120+ fund houses (280+ schemes).



### Electronic Payment Collection

CAMS manages mandated transactions, including registering of mandates, initiation of collections, reconciliation and the related reporting services for MF and Non-Banking Financial Company (NBFC). It offers UPI, UPI AutoPay, Net banking, eSign Mandate and InstaNACH payment solutions.



### Insurance Repository & Services

CAMS offers services of processing new business applications, holding policies in dematerialised form and servicing policies and other support functions to insurance companies. It has a significant market share in insurance repository with 4.1 million policies held.



### KYC Registration Agency

A licensed KYC Registration Agency (KRA) for Capital markets, the company provides services for verifying and maintaining KYC records of investors for use by financial institutions.



### Software Solutions

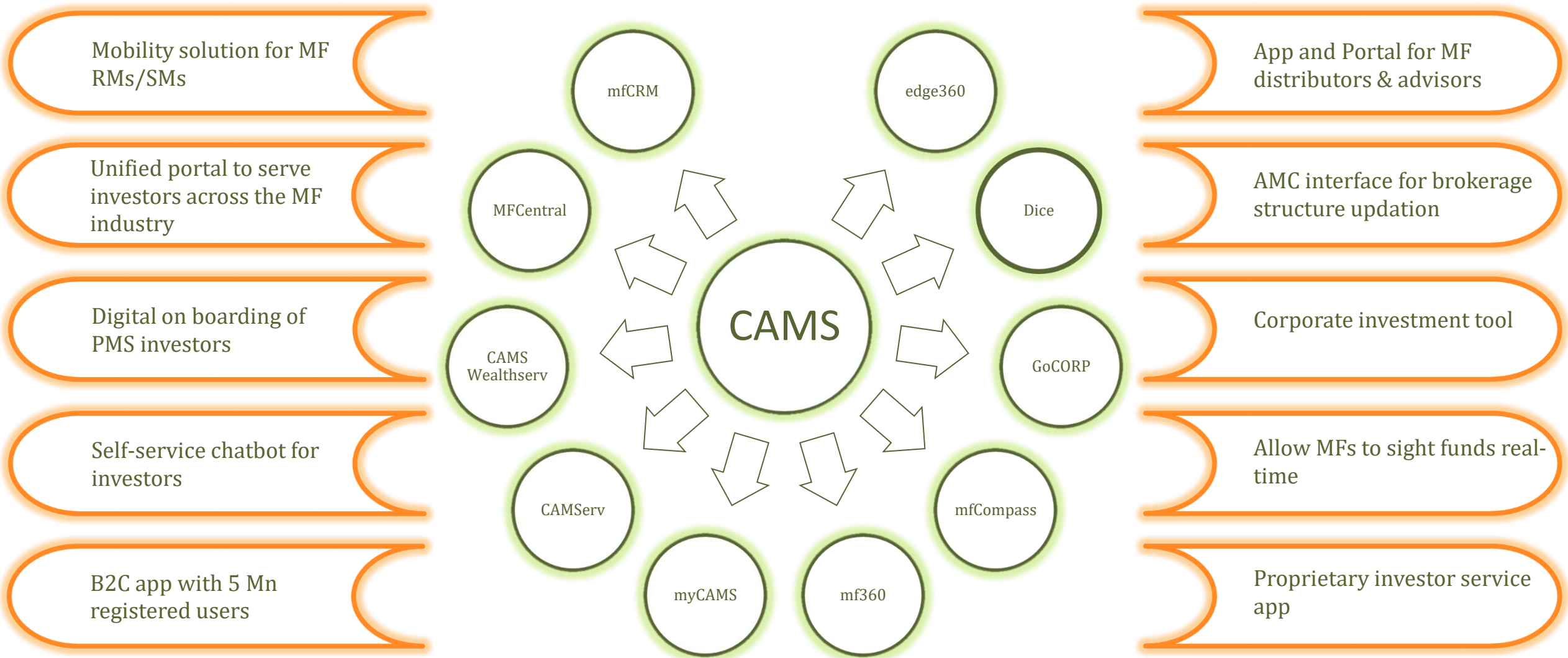
The development centre for CAMS and clients technology requirements bringing deep domain specialisation in Financial Services segment.



### Account Aggregator Services

CAMSfinserve is aggregator platform, providing account aggregator services to banks, NBFCs and investment advisors amongst others. It collects financial assets information of end-user based on their consent and aggregates them on a single platform. This facilitates in providing unified view of fragmented financial assets and transmit data to specified financial information user in an encrypted manner.

Proprietary Technology Platforms and Mobile Applications





## Key Strengths

Large and Growing Mutual Funds Market

Integrated Business Model & Longstanding Client Relationships in MF Services Business

Largest Infrastructure and Services Provider in the Indian MF RTA space

Scalable Technology Enabled Ecosystem

Foray into Emerging Business Opportunity Including Account Aggregator (AA) platform & CRA for NPS

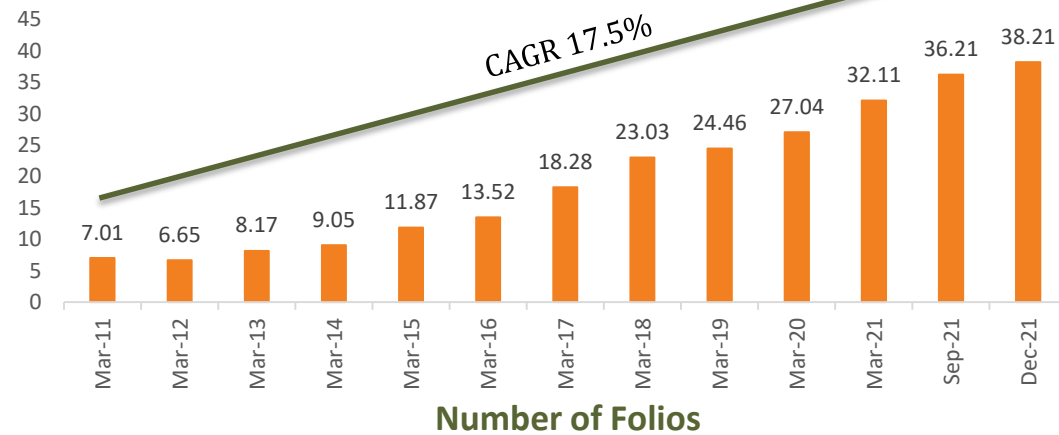
Strong Focus on Process and Risk Management

Experienced Management and Board

## Growing Mutual Fund Industry

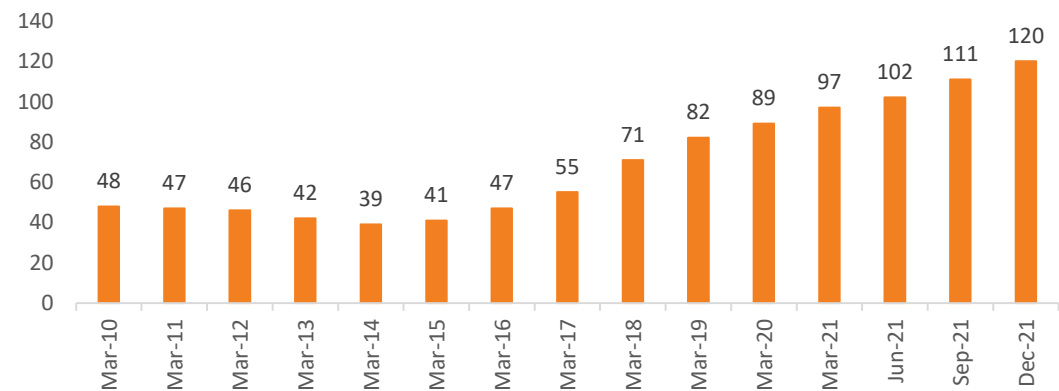
**Mutual Fund AUM**

Rs. Trillion



**Number of Folios**

Million



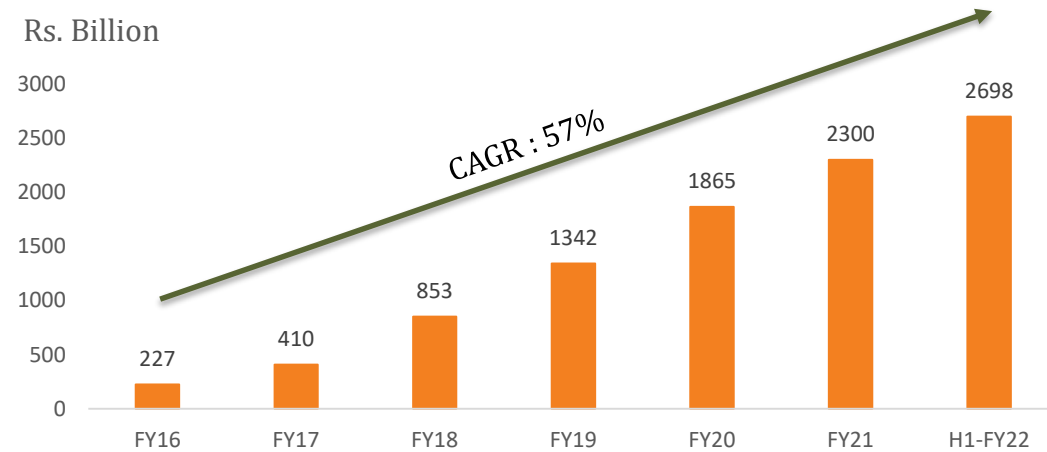
Source: K-Fin DRHP, Anand Rathi Research

- ❖ India's mutual fund penetration (AUM-to-GDP) is significantly lower at 15% compared to the world average of 75%; and lower than many developed economies such as the U.S. at 140% and the United Kingdom ("U.K.") at 78%. In Southeast Asian countries and Hong Kong, Singapore has the highest mutual fund penetration of 180% whereas Indonesia and Philippines have the lowest mutual fund penetration of 4% and 2%, respectively at end of calendar year 2020.
- ❖ Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base. This is due to increasing penetration across geographies, strong growth in capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Although mutual fund AUM as a percentage of GDP grew from 4.3% in Fiscal 2002 to approximately 16.6% in December 2021, penetration levels remained well below those in other developed and fast-growing peers.
- ❖ The aggregate AUM of the Indian mutual fund industry has grown at a healthy pace over the past 10 years, against the backdrop of an expanding domestic economy, robust inflows, and rising investor participation, particularly from individual investors. Average AUM grew at CAGR of 17.5% to ₹ 38.21 trillion as of December 31, 2021 from ₹ 7.01 trillion as of March 31, 2011.
- ❖ The mutual fund industry has seen increased participation from households in recent years, owing to growing awareness, financial inclusion, improved access to banking channels and increased adoption of technology by non-bank distributors. Between March 2015 and December 2021, the industry's folios increased by approximately 80 million to 120 million, at a CAGR of approximately 14%, driven almost entirely by individual investors, namely, retail and HNIs.

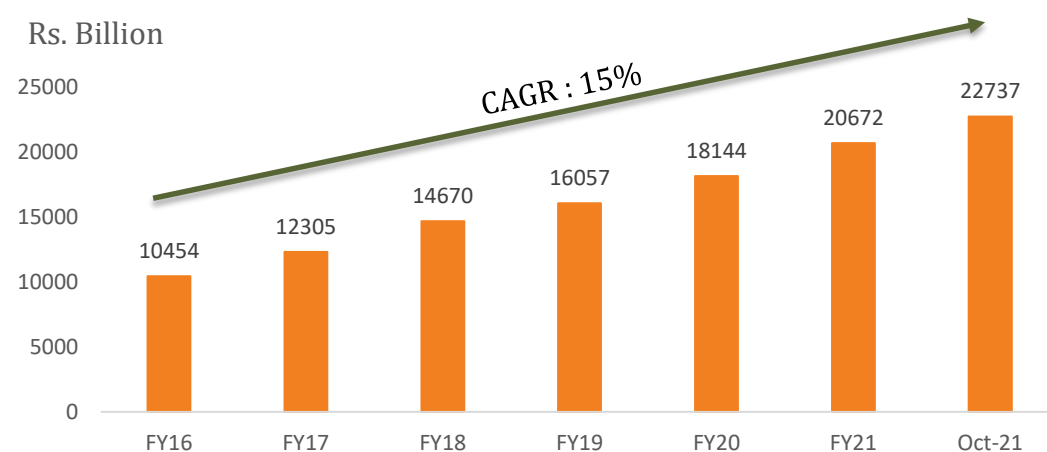


## Strong Traction in AIF & PMS Industry

**Funds raised by AIF**



**PMS AUM**



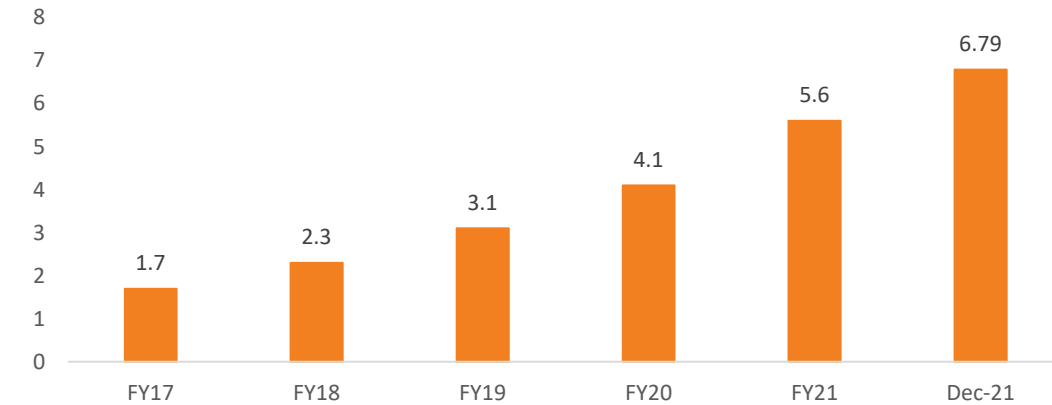
Source: K-Fin DRHP, Anand Rath Research

- ❖ In recent years, AIFs have gained significant attraction due to its ability to generate higher returns for UHNIs / HNIs by investing in funds such as real estate funds, venture capital funds and start-up funding., as well as enabling investors to take exposure to specific themes such as private debt focused on entities focused on financial inclusion.
- ❖ The growth in AIF industry could be attributed to the surge in investment activities and fund raising in India along with support from regulatory reforms brought by SEBI. As of December 21, 2021, there were 828 AIFs overseeing over ₹ 5 trillion in investor commitments, as against 209 AIFs with ₹ 0.38 trillion in commitments as of March 31, 2016, reflecting an impressive approximately 14x growth during the interim period.
- ❖ With the phenomenal rise of many AIFs and rising inflow of funds into this category, AIF industry is expected to grow at a CAGR of 27-29% between Fiscal 2022 and Fiscal 2027. It is expected to help expand the allied investor services industry by serving the rising demand driven by RBI allowance of foreign investment, simplification of procedures, GIFT city & Tax incentives.
- ❖ Over the last five years, the PMS industry has seen significant growth, with the market becoming more mature, increasing number of HNIs, greater need for customized asset allocation based on risk-return profiling, and growing awareness of PMS as a product. As of October 2021, the AUM of PMS asset managers stood at approximately ₹ 22.7 trillion, reflecting a CAGR of 14% over the last five years. For last 12 months, the AUM of PMS asset managers had grown approximately 18% in October 2021 to approximately ₹ 22.7 trillion from ₹ 19.2 trillion in October 2020.

## Increasing Formalization of the Economy to Drive NPS Growth

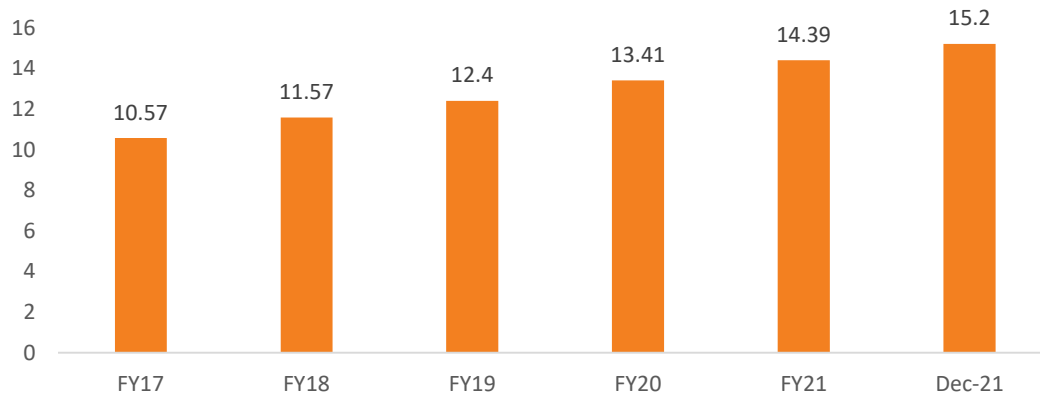
### NPS AUM

Rs. Trillion



### NPS Subscribers

Million



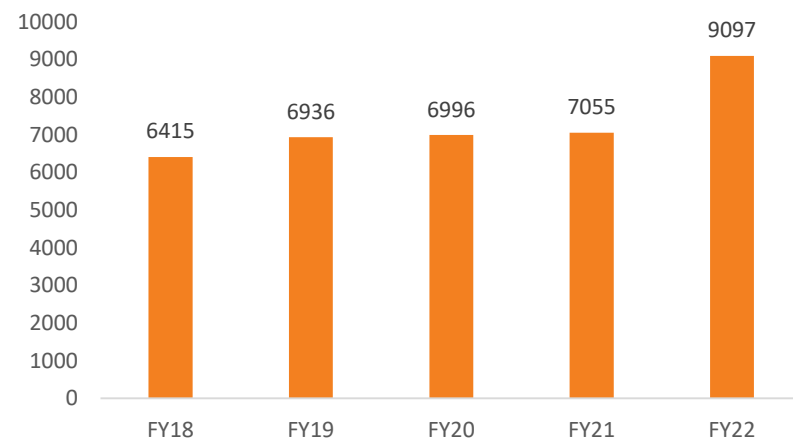
Source: K-Fin DRHP, Anand Rathi Research

- ❖ National Pension System (NPS) is a retirement benefit scheme introduced by the Government of India to facilitate income post retirement to all the subscribers and is governed by the PFRDA. The scheme was initially launched only for government employees but was later opened for all sections. This scheme also provides tax benefits, wherein the subscribers get an additional deduction of up to ₹50,000 over and above the section 80C limit of ₹ 150,000.
- ❖ Indian government has been promoting formalization of the economy since calendar year 2016, with measures such as demonetization, introduction of GST, digitization of financial transactions and enrolment of informal sector workers on various government internet portals. These measures have caused people to shift towards digital payments and discouraged businesses to deal with unregistered entities in the informal sector. Consequently, the informal sector got itself registered to remain in the supply chain leading to formalization of firms. Going forward, an increasing pace of formalization of firms coupled with rising number of new start-ups is expected to eventually lead to further formalization of workforce and the economy. Over the long term, this could also lead to rising number of subscribers for NPS.
- ❖ Over the past three years, NPS has seen the number of subscribers under the “All Citizen” model, meant for citizens other than Central and State government employees, double from 0.92 million at end of March 2019 to 1.94 million at end of December 2021. During the same period, AUM under “All Citizen” model also increased from ₹ 96 billion to ₹ 287 billion. By end of December 2021, the total number of subscribers across various models of NPS reached 15.2 million with AUM of more than ₹ 6.7 trillion.

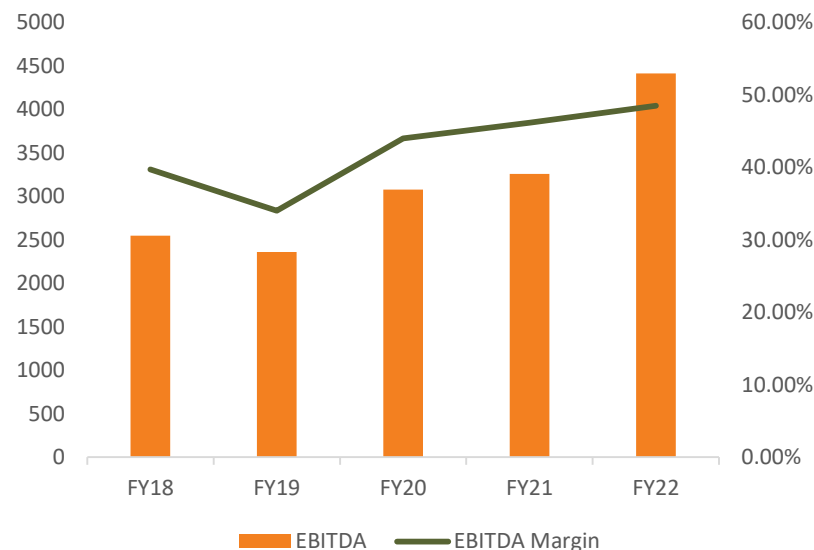
## Financial Highlights

### Revenue

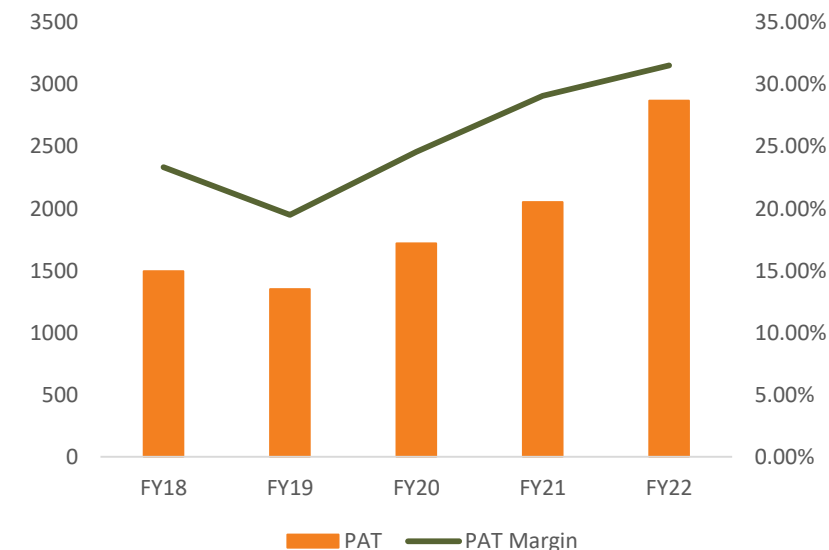
Rs. Million



### EBITDA & Margin



### PAT & Margin



- ❖ CAMS consolidated income from operations for the quarter ended March 31, 2022, rose 21.7% to ₹2,432 million, compared with ₹1,998 million in the corresponding quarter of the previous year. CAMS consolidated income from operations for the year ended March 31, 2021, rose 28.9% to ₹9,097 million, compared with ₹7,055 million in the corresponding period of the previous year
- ❖ Profit before exceptional items and tax for the quarter ended March 31, 2022, increased 22.8% to ₹738 million, compared with ₹601 million in the corresponding quarter of the previous year. Profit before exceptional items and tax for the year ended March 31, 2022, increased 39.7% to ₹2,869 million, compared with ₹2,053 million in the corresponding period of the previous year.

## Key Risks

- ❖ Cyber Security Risk - Given most of the company's operations is digital and involves working around with huge volume of customer information, it is critical to protect data from cyber security breach and also ensure data privacy.
- ❖ Regulatory Risk - The Company is a Qualified Registrar and Transfer Agent ("QRTA") and is subjected to audits from the Regulator.
- ❖ Compliance Risk - The Company is required to comply with a host of regulations as part of its compliance activities. Any default could result in fines and penalties. Non-compliance of any regulations could result in observations in the Audits and can expose the Company to warnings and penalties.
- ❖ Regulatory changes in environmental clearance for upcoming future projects.

## Consolidated Financials

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	7,055	9,097	10,188	11,615
Operating Expense	4,306	4,932	5,423	6,146
EBITDA	2,749	4,165	4,765	5,568
Other Income	509	249	279	318
Depreciation	434	516	538	613
EBIT	2,824	3,898	4,507	5,173
Interest	79	71	71	71
PBT	2,745	3,826	4,435	5,102
Tax	692	957	1,109	1,276
PAT	2,053	2,869	3,326	3,826

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	0.8%	28.9%	12.0%	14.0%
Operating Margin %	39.0%	45.8%	46.8%	47.1%
Net Margin %	29.1%	31.5%	32.6%	32.9%

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<b><u>Liabilities</u></b>				
Equity Share Capital	600	800	800	800
Reserves & Surplus	4,559	5,677	9,003	12,829
Total Shareholder's Funds	5,159	6,476	9,802	13,629
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	1,394	1,352	1,352	1,352
Deferred Tax Liability	(101)	(101)	(101)	(101)
Short-term Liabilities	6,921	7,769	8,701	9,920
<b>Total</b>	<b>13,372</b>	<b>15,496</b>	<b>19,754</b>	<b>24,799</b>
<b><u>Assets</u></b>				
Net Fixed Assets	2,840	3,143	2,842	3,057
Long-Term L&A	134	135	135	135
Non Current Investments	5	-	-	-
Other Non-Current Assets	5	5	5	5
Current Asset	10,387	12,213	16,772	21,602
<b>Total</b>	<b>13,372</b>	<b>15,496</b>	<b>19,754</b>	<b>24,799</b>

## Rating & Target Price History

CAMS rating history & price chart



NOTE: Prices are as on 18 July 2022 close.

Source: Bloomberg, Anand Rathi Research

CAMS rating details

Date	Rating	Target Price (₹)	Share Price (₹)
18-Jul-22	BUY	2800	2297



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Ratings Guide (12 months)	Buy	Hold	Sell
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Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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