29 October 2024

2QFY25 Results Update | Sector: Financials

CAMS

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	CAMS IN
Equity Shares (m)	49
M.Cap.(INRb)/(USDb)	213.5 / 2.5
52-Week Range (INR)	4970 / 2230
1, 6, 12 Rel. Per (%)	4/24/60
12M Avg Val (INR M)	1534

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
AAUM (INR t)	43.5	50.6	58.9
Revenue	14.5	16.8	19.4
EBITDA	6.8	8.0	9.5
Margin (%)	46.6	47.7	49.0
PAT	4.9	5.9	7.1
PAT Margin (%)	33	35	36
EPS	99.2	119.5	144.0
EPS Grw. (%)	38.5	20.4	20.5
BVPS	221.4	263.2	313.6
RoE (%)	48.6	49.3	49.9
Div. Payout (%)	65.0	65.0	65.0
Valuations			
P/E (x)	43.6	36.2	30.1
P/BV (x)	19.6	16.4	13.8
Div. Yield (%)	1.5	1.8	2.2

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	0.0	0.0	19.9
DII	18.7	19.4	16.1
FII	56.5	56.5	38.6
Others	24.8	24.1	25.5

FII includes depository receipts

CMP: INR4,330 TP: INR5,500 (+27%) Buy

Strong topline growth across segments

- **CAMS reported operating revenue of INR3.6b in 2QFY25, up 33% YoY (6% beat). For 1HFY25, it grew 30% YoY to ~INR7b.**
- **The Non-MF businesses grew 31.9% YoY, led by strong growth in the CAMSPay, KRA, and AIF segments. The share of the Non-MF segment stood at ~12.9% of the overall revenue, and the company has maintained its guidance of 20%+ revenue growth.**
- **EBITDA grew 39% YoY to INR1.7b (6% beat). For 1HFY25, EBITDA grew 38% YoY to INR3.2b. EBITDA margins expanded to 46.6% in 2QFY25 vs. 44.4% in 2QFY24 (our est. of 46.5%). Management has guided to maintain EBITDA margins for FY25 in the range of ~47-47.5%.**
- **CAMS reported a net profit of INR1.2b, up 44% YoY (5.5% beat) in 2QFY25. The growth was driven by a YoY increase in the share of the non-MF business and an improved mix of equity AUM in the total MF AUM. For 1HFY25, PAT rose 43% YoY to INR2.3b.**
- **We have increased our earnings estimates by 5% each for FY25/FY26/FY27 to factor in higher-than-expected MF AUM and non-MF revenue growth. We expect revenue/PAT to post a CAGR of 20%/26% over FY24-27 and reiterate a BUY rating on the stock with a one-year TP of INR5,500, premised at a P/E multiple of 42x on Sept'26E earnings.**

Increasing focus on the Non-MF businesses

- QAAUM grew 37.8% YoY/11.2% QoQ to INR44.8t in 2QFY25. The share of Equity AUM grew to 55.4% in 2QFY25 from 47.7% in 2QFY24 and 53.3% in 1QFY25. Equity AUM rose 60% YoY/15% QoQ to INR24.8t.
- **MF segment's revenue** grew 33% YoY to INR3.2b, contributing ~87.1% of the overall revenue with yields remaining stable. MF asset-based contributes ~73.3% to the total MF revenue contributions, while non-asset contributes ~13.8%.
- The company's sustained focus on expanding its Non-MF business led to 31.9% YoY growth to INR470m of revenues, which is almost in-line with the growth of the MF segment at 32.9% for the quarter.
- **CAMS Alternatives** posted a robust growth of 21% YoY in revenue on account of healthy signings for core businesses and rapid adoption of CAMS WealthServ and Fintuple offerings.
- **CAMSPay's** revenue grew 69% YoY on account of the digital payment adoption, led by UPI Auto Pay. CAMSPay has entered the education segment and expects significant scale-up in the medium term. The current share of non-MF is 40-45%.
- Bima Central (CAMSRep) witnessed strong growth in the number of policies digitized during the quarter, which grew from 0.5m until FY24 to 1m in 2QFY25. CAMS sees huge growth opportunities in this segment.
- The overall cost grew 27.5% YoY to INR1.95b (6% above estimates). However, the C/I ratio declined to 53.4% from 55.6% on a YoY basis.

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- Employee costs increased 21.4% YoY (in-line) on account of an increase in the headcount and increments. Management guides for employee cost to remain in the range of 30-32% of the overall revenue.
- Other expenses were 16% higher on a YoY basis on account of one-off charges related to the MF Central incorporation, data privacy charges, etc.
- For H2FY25, we expect Revenue/EBITDA/PAT to grow 26%/31%/35% to INR7.6b/INR3.6b/INR2.6b.

Key takeaways from the management commentary

- Regarding the rationalization of the commission structure and its impact on yields, CAMS does not expect any radical changes and will continue to sell at cheaper rates due to telescopic pricing. The yields were stable for the quarter.
- CAMS board has approved the formation of a joint venture with KFin Technologies Ltd to operate MF Central, an industry leading unified platform for mutual fund investors and intermediaries. The revenue split would be in the ratio of 50:50 between CAMS and KFin.
- Think360 revenue declined during the quarter because: 1) Algo360 served as a forerunner to account aggregators; however, CAMS has observed that the market for account aggregators is clearly indicating a preference and 2) one of the large US-based analytics contracts did not see the scale-up it expected.

Valuation and view

- Empirically, CAMS has traded at a premium to listed AMCs in terms of one-year forward P/E. The premium for CAMS is well deserved, given: 1) the duopoly nature of the industry and high-entry barriers, 2) relatively low risk of a market share loss, and 3) higher customer ownership as compared to AMCs.
- Structural tailwinds in the MF industry would drive absolute growth in MF revenue. With favorable macro triggers and right investments, revenue contribution of Non-MF businesses for CAMS is expected to increase in the next three to five years.
- We have increased our earnings estimates by 5% each for FY25/FY26/FY27 to factor in the higher-than-expected MF AUM and non-MF revenue growth. We expect revenue/PAT to grow at a CAGR of 20%/26% over FY24-27 and reiterate a BUY rating on the stock with a one-year TP of INR5,500, premised at a P/E multiple of 42x on Sept'26E earnings.

Quarterly Performance **(INR m)**

Y/E March	FY24				FY25				FY24	FY25E	2QFY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Revenue from Operations	2,613	2,751	2,897	3,105	3,314	3,652	3,725	3,848	11,365	14,538	3,447	6.0	32.7	10.2
Change YoY (%)	10.4	13.5	18.9	24.6	26.8	32.7	28.6	23.9	16.9	27.9	25.3			
Employee expenses	950	977	997	1,048	1,130	1,186	1,209	1,241	3,972	4,766	1,152.5	2.9	21.4	4.9
Total Operating Expenses	1,512	1,530	1,603	1,671	1,816	1,950	1,981	2,021	6,316	7,767	1,845	5.7	27.5	7.4
Change YoY (%)	9.0	12.2	18.4	19.2	20.1	27.5	23.6	20.9	14.7	23.0	20.6			
EBITDA	**1,101**	**1,221**	**1,294**	**1,433**	**1,498**	**1,702**	**1,744**	**1,827**	**5,049**	**6,771**	1,601	6.3	39.4	13.6
Other Income	97	96	99	114	117	126	135	144	406	522	117	7.4	30.6	7.4
Depreciation	165	174	185	181	170	184	184	185	705	722	170	8.2	5.4	8.2
Finance Cost	20	20	21	21	21	22	22	23	82	88	21	1.3	9.7	1.3
PBT	**1,012**	**1,124**	**1,187**	**1,346**	**1,424**	**1,622**	**1,673**	**1,763**	**4,668**	**6,483**	**1,527**	6.2	44.4	13.9
Change YoY (%)	16.4	15.9	21.4	36.6	40.7	44.4	41.0	31.0	22.8	38.9	35.9			
Tax Provisions	255	286	302	316	354	414	418	434	1,159	1,621	382	8.5	45.0	16.9
Net Profit	**757**	**838**	**885**	**1,030**	**1,070**	**1,208**	**1,255**	**1,329**	**3,510**	**4,862**	**1,145**	5.5	44.2	13.0
Change YoY (%)	17.1	16.2	20.3	38.5	41.3	44.2	41.8	29.1	23.3	38.5	36.7			
Key Operating Parameters (%)														
Cost to Operating Income Ratio	57.9	55.6	55.3	53.8	54.8	53.4	53.2	52.5	55.6	53.4	53.5	-0.2	(2.2)	(1.4)
EBITDA Margin	42.1	44.4	44.7	46.2	45.2	46.6	46.8	47.5	44.4	46.6	46.5	0.2	2.2	1.4
PBT Margin	38.7	40.8	41.0	43.3	43.0	44.4	44.9	45.8	41.1	44.6	44.3	0.1	3.6	1.5
Tax Rate	25.2	25.4	25.4	23.5	24.9	25.5	25.0	24.6	24.8	25.0	25.0	0.5	0.1	0.6
PAT Margin	29.0	30.5	30.6	33.2	32.3	33.1	33.7	34.5	30.9	33.4	33.2	-0.1	2.6	0.8
Key Parameters														
QAUM (INR t)	30.0	32.5	34.0	37.2	40.3	44.8	45.7	46.6	33.4	43.5	41.9	6.9	37.8	11.2

CONFERENCE CALL

Key takeaways from the management commentary

Financials:

- The company's sustained focus on expanding the Non-MF businesses led to 31.9% YoY growth to INR470m, which is almost in-line with the growth of the MF segment at 32.9% for the quarter.
- The Non-MF revenue share stood at ~12.9% of the overall revenue, which is on track with the guidance given regarding contributions from the Non-MF segment. Management expects this to grow further.
- Asset-based revenue grew 32.7% YoY in 2QFY25, driven by growth in transaction revenue.
- Management guides for employee cost to remain in the range of 30-32% of the overall revenue, which is well-maintained.
- Other expenses were 16% higher on a YoY basis on account of one-off charges related to the MF Central incorporation and data privacy charges.
- Going forward, the costs are largely expected to stay in line, except for the variable portion, which will grow in-line with the revenue growth.
- Non-salary expenses – Opex is at 8-8.5% of the overall revenue, which is in line with historical trends.
- Cash and Cash Equivalents stood at INR1.3b as of Sept'24 (before dividend).
- Management has provided guidance for EBITDA margins in FY25 to fall in the range of 47-47.5% and is confident in achieving the same (currently at 46.6%).
- CAMS will be maintaining the dividend policy at 65%. However, during 1HFY25, due to improved performance, it declared an interim dividend of INR25 per share, of which INR14.5 was the 65% policy and the balance INR10.5 was a special dividend declared due to growth across businesses.

MF business

- CAMS witnessed the fastest quarterly growth in the overall AUM, adding INR4.9t during the quarter to INR45t as of Sept'24 (a historic high in AUM accretion).
- The company witnessed solid performance in active equity assets with 59.4% YoY growth vs.53.5% YoY growth in the industry.
- CAMS achieved a new milestone in NFO collections on account of sectoral fund launches.
- It recorded high SIP registrations during the quarter, clocking 12m new SIP registrations during the quarter.
- Regarding the rationalization of the commission structure by many AMCs impacting yields, CAMS does not expect any radical changes and will continue to sell at cheaper rates due to telescopic pricing.
- Stable yields were observed during the quarter as the mix was favorable.

Non-MF Business
CAMS Alternatives

- CAMS posted robust growth of 21% YoY in revenue on account of healthy signings for core businesses and rapid adoption of CAMS WealthServ and Fintuple offerings.
- CAMS recorded 57 new mandates during the quarter (highest ever).

- It opened its second office at GIFT city in Oct’24 to service the expanding clientele of 20+ AMCs.

CAMS KRA

- Competitive intensity has increased in this business segment. CAMS is mitigating the same through unit economics, digital onboarding, etc.
- During the quarter, CAMS added 26 new financial institutions and Fin Techs as its customers, significantly adding non-MF PANs to its stock.
- It unveiled two first-in-the-industry initiatives in Global Fintech Fest in August: Nexus and WhatsApp KYC.
- Regarding units of economics: For every upload and download made on the portal, CAMS gets paid by the AMCs.

CAMSPay

- Revenue grew 69% YoY in Q2FY25 on account of the digital payment adoption led by UPI Auto Pay.
- Besides SIPs, recurring payments in housing finance, insurance, etc. are boosting growth.
- The UPI Auto Pay expands beyond MFs with adoption by fintech channels and prominent third party apps.
- During the quarter, 23 new logos were added.
- CAMSPay has entered the education segment and expects significant scale-up in the medium term.
- Regarding revenue split in the segment: over 55-60% comes from the MF segment (SIPs-driven) and balance from the non-MF segment.
- Units of economics – it earns revenues from the ACH mandate depending on INR4/5/6 per mandate and per transaction INR2-5, based on volumes, of which some portion goes to the banks.

CAMS Rep

- CAMS will be focusing on growing this segment.
- On BIMA Central: the unique user base crossed 0.25m and mobile downloads crossed 0.05m.
- The new policies digitized during the quarter grew from 0.5m until FY24 to 1m in 2QFY25.
- CAMS expects this momentum to sustain going further.
- CAMS has 1.5m in aggregate e-insurance accounts, with ~40% market share.
- ICICI Prudential Life Insurance is the first life insurer to integrate services on Bima Central; two more insurers are in the process of completing integration.
- 47 out of 55 insurers now regularly contribute to electronic policies on Bima Central.

CAMS Finserv

- CAMS holds ~16.5% market share of customers successfully linked to AA ecosystem vs. 9.6% in Q2FY24.
- It has posted robust 170% YoY revenue growth.
- Successful data deliveries crossed the 10m mark in the quarter. (6m in Q1FY25 and 1m Q2FY24).

- Regarding RBI regulations for unified payments, CAMS will be watchful as to what activities are carried out by RBI.

Think 360

- It won Algo360 mandate from L&T Financial Services and Stable Money and will start operations from December or January.
- Revenues declined in this quarter and Algo360 served as a forerunner to account aggregators.

CAMS NPS

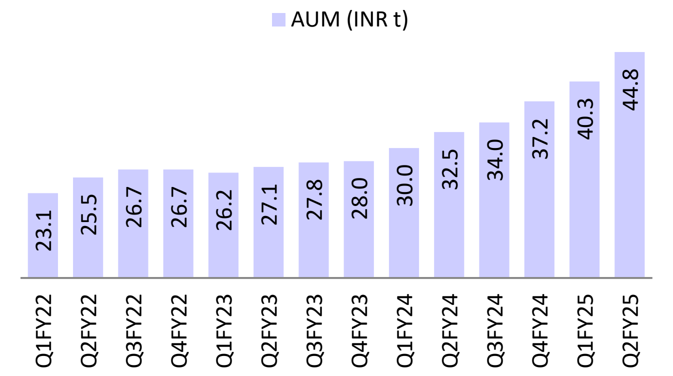
- It crossed 0.1m Subscriber Onboarding, reaching #2 in eNPS registrations.
- The Indian Bank started conducting business on the CAMS CRA platform.
- The market share in the Retail business stood at 7.9% in 2QFY25.

Others

- CAMS board approved the formation of a joint venture with KFin Technologies Ltd to operate MF Central, an industry leading unified platform for mutual fund investors and intermediaries.
- The revenue split between CAMS and KFin would be in the ratio of 50:50.

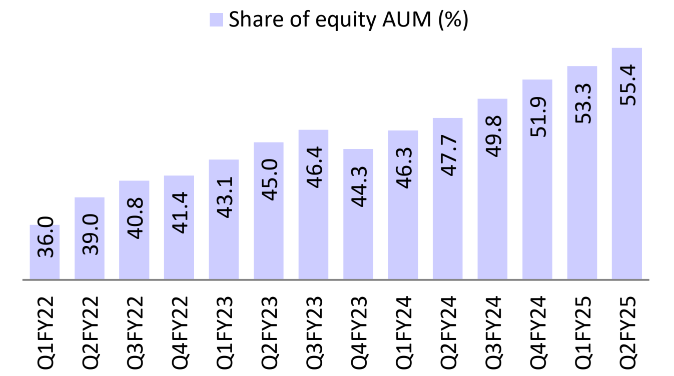
Story in charts

Exhibit 1: AUM increased to INR44.8t in 2QFY25



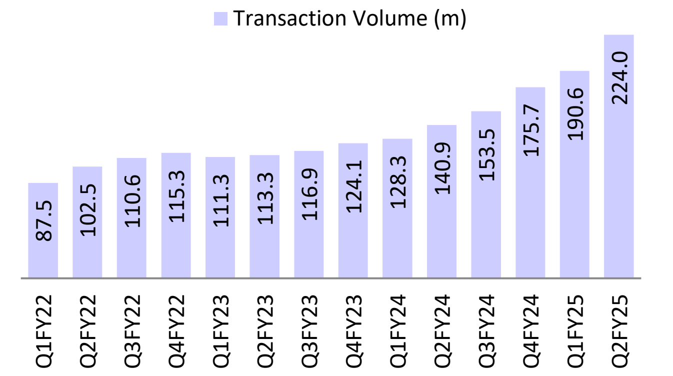
Source: Company, MOFSL

Exhibit 2: Share of equity AUM improves sequentially (%)



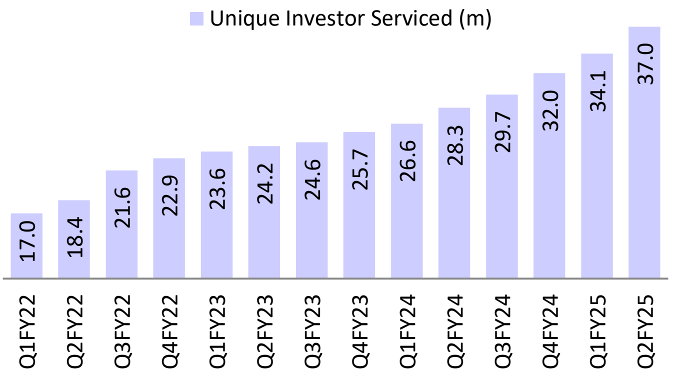
Source: Company, MOFSL

Exhibit 3: Strong traction in SIP transactions (m)



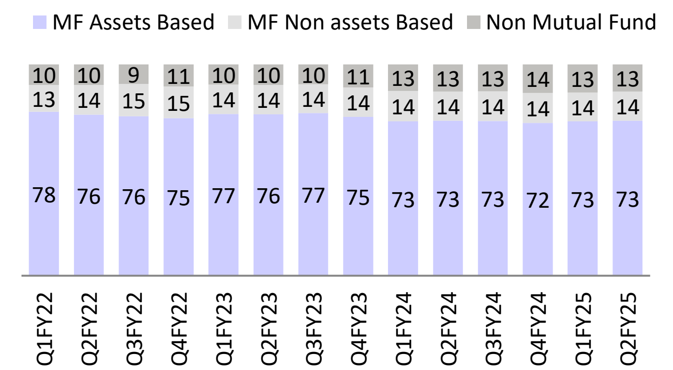
Source: Company, MOFSL

Exhibit 4: Trend in unique investor serviced (m)



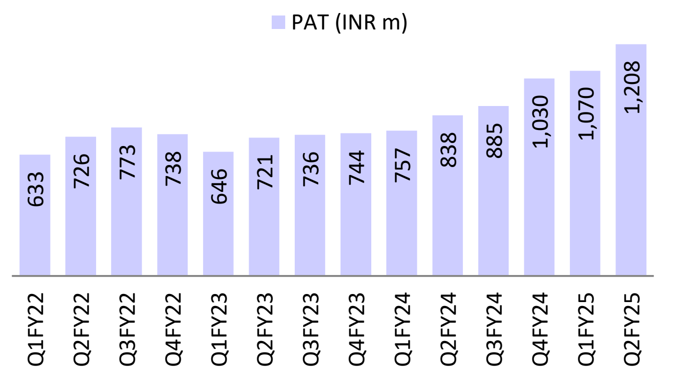
Source: Company, MOFSL

Exhibit 5: Revenue mix % trend



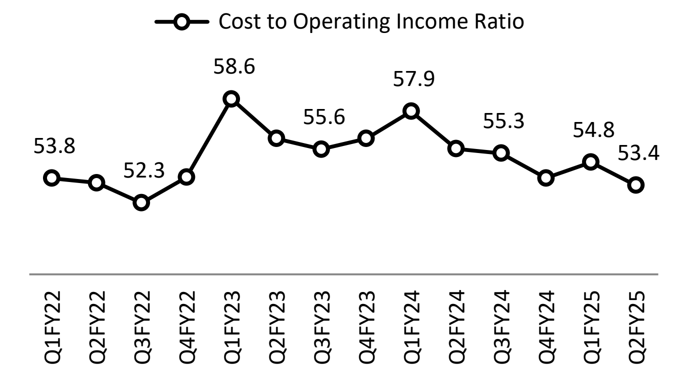
Source: MOFSL, Company

Exhibit 6: Trend in PAT (in INRm)



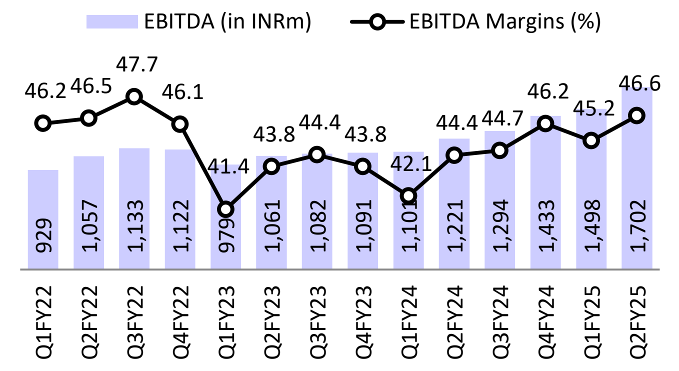
Source: MOFSL, Company

Exhibit 7: C/I ratio (%) Trend



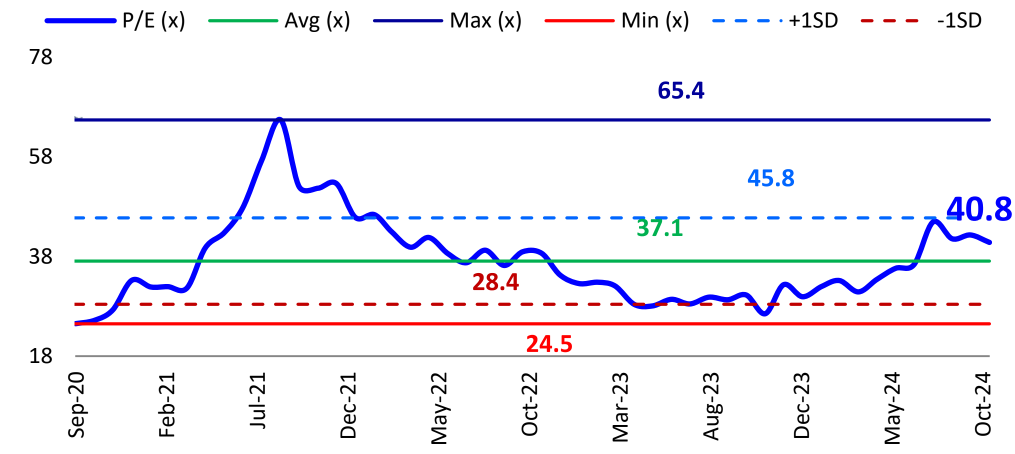
Source: MOFSL, Company

Exhibit 8: Trend in EBITDA (INRm) and EBITDA margins (%)



Source: MOFSL, Company

Exhibit 9: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement								INR m
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Revenue	6,996	7,055	9,097	9,718	11,365	14,538	16,777	19,410
Change (%)	1	1	29	7	17	28	15	16
Employee expense	2,580	2,624	3,218	3,581	3,972	4,766	5,338	5,978
Other expenses	1,544	1,471	1,638	1,925	2,345	3,001	3,439	3,912
Operating Expenses	4,124	4,094	4,855	5,506	6,316	7,767	8,777	9,890
EBITDA	**2,873**	**2,961**	**4,241**	**4,212**	**5,049**	**6,771**	**8,000**	**9,519**
Change (%)	18	3	43	-1	20	34.1	18.2	19.0
Dep/Interest/Provisions	582	513	587	679	787	810	846	882
Other Income	217	298	173	268	406	522	653	768
PBT	**2,508**	**2,745**	**3,827**	**3,802**	**4,668**	**6,483**	**7,807**	**9,405**
Change (%)	25	9	39	-1	23	38.9	20.4	20.5
Tax	773	692	957	956	1,159	1,621	1,952	2,351
Tax Rate (%)	31	25	25	25	25	25.0	25.0	25.0
PAT	**1,735**	**2,053**	**2,870**	**2,846**	**3,510**	**4,862**	**5,855**	**7,053**
Change (%)	33	18	40	-1	23	38.5	20.4	20.5
Dividend	594	2,488	1,895	1,850	2,064	3,160	3,806	4,585

Balance Sheet								INR m
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Equity Share Capital	488	488	489	490	491	491	491	491
Reserves & Surplus	5,001	4,671	5,987	7,335	8,665	10,356	12,405	14,874
Net Worth	**5,489**	**5,159**	**6,476**	**7,825**	**9,156**	**10,847**	**12,896**	**15,365**
Borrowings	0	0	0	0	0	0	0	0
Other Liabilities	2,542	3,260	3,094	3,151	4,986	5,600	6,204	6,879
Total Liabilities	**8,030**	**8,419**	**9,571**	**10,976**	**14,142**	**16,447**	**19,101**	**22,244**
Cash and Bank balance	504	1,803	1,510	1,524	2,111	2,514	2,722	2,894
Investments	3,056	2,355	3,170	3,298	4,066	5,866	8,166	10,966
Net Fixed Assets	3,090	2,840	3,141	3,413	3,889	3,467	3,109	2,714
Current Assets	1,380	1,421	1,750	2,740	4,076	4,600	5,105	5,670
Total Assets	**8,030**	**8,419**	**9,571**	**10,975**	**14,142**	**16,447**	**19,101**	**22,244**

E: MOFSL Estimates

Cashflow								INR m
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit after Tax	1,734	2,053	2,870	2,846	3,510	4,862	5,855	7,053
Adjustments	-126	199	729	754	261	288	193	115
Change in Working Capital	(237)	697	(129)	(17)	1,493	418	460	506
Cashflow from Operating activities	**1,371**	**2,950**	**3,470**	**3,583**	**5,264**	**5,568**	**6,508**	**7,674**
Other Income	217	298	173	268	406	522	653	768
Change in Current Investments	-751	701	-815	-128	-767	-1,800	-2,300	-2,800
Change in Fixed Asset	174	-63	-791	-875	-1,181	-300	-400	-400
Others	-128	-20	-365	-910	-991	-339	-360	-396
Cashflow from Investing activities	**-489**	**915**	**-1,798**	**-1,645**	**-2,532**	**-1,917**	**-2,407**	**-2,829**
Interest Expense	-97	-79	-71	-76	-82	-88	-88	-88
Dividend Expense	-716	-2,488	-1,895	-1,850	-2,064	-3,160	-3,806	-4,585
Cashflow from Financing activities	**-813**	**-2,567**	**-1,966**	**-1,926**	**-2,146**	**-3,248**	**-3,894**	**-4,673**
Net Cashflow	69	1,298	(293)	13	586	403	207	173
Opening Cashflow	435	504	1,803	1,510	1,524	2,111	2,514	2,722
Closing Cashflow	**504**	**1,803**	**1,510**	**1,524**	**2,111**	**2,514**	**2,722**	**2,894**

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
AAAUM (INR B)	**18,149**	**19,984**	**25,500**	**27,300**	**33,400**	**43,512**	**50,610**	**58,934**
Change (%)	14.6	10.1	27.6	7.1	22.3	30.3	16.3	16.4
Equity	6,706	6,806	10,100	12,400	16,400	23,452	28,142	33,771
Non-Equity	11,443	13,178	15,400	14,900	17,000	20,060	22,467	25,163

E: MOFSL Estimates

Financials and valuations

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Margins Analysis (%)								
Revenue Yield (bps)	3.85	3.53	3.57	3.56	3.40	3.34	3.31	3.29
Cost to Income Ratio	**58.9**	**58.0**	**53.4**	**56.7**	**55.6**	**53.4**	**52.3**	**51.0**
EBITDA Margins	41.1	42.0	46.6	43.3	44.4	46.6	47.7	49.0
PBT Margin	35.8	38.9	42.1	39.1	41.1	44.6	46.5	48.5
PAT Margin	24.8	29.1	31.6	29.3	30.9	33.4	34.9	36.3
Profitability Ratios (%)								
RoE	34.8	38.6	49.3	39.8	41.3	48.6	49.3	49.9
Dividend Payout Ratio	34.2	121.2	66.0	65.0	58.8	65.0	65.0	65.0

Dupont Analysis (Bps of AAAUM)

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Operating Income	3.9	3.5	3.6	3.6	3.4	3.3	3.3	3.3
Operating Expenses	2.3	2.0	1.9	2.0	1.9	1.8	1.7	1.7
EBITDA	**1.6**	**1.5**	**1.7**	**1.5**	**1.5**	**1.6**	**1.6**	**1.6**
Depreciation and Others	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Other Income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PBT	**1.4**	**1.4**	**1.5**	**1.4**	**1.4**	**1.5**	**1.5**	**1.6**
Tax	0.4	0.3	0.4	0.4	0.3	0.4	0.4	0.4
ROAAAUM	**1.0**	**1.0**	**1.1**	**1.0**	**1.1**	**1.1**	**1.2**	**1.2**

Valuations	2020	2021	2022	2023	2024	2025E	2026E	2027E
BVPS (INR)	112	105	132	160	187	221	263	314
Change (%)	22.1	-6.0	25.5	20.8	17.0	18.5	18.9	19.1
Price-BV (x)	**38.7**	**41.1**	**32.8**	**27.1**	**23.2**	**19.6**	**16.4**	**13.8**
EPS (INR)	35.4	41.9	58.6	58.1	71.6	99.2	119.5	144.0
Change (%)	32.5	18.4	39.8	-0.8	23.3	38.5	20.4	20.5
Price-Earnings (x)	**122.3**	**103.3**	**73.9**	**74.5**	**60.4**	**43.6**	**36.2**	**30.1**
DPS (INR)	12.1	50.8	38.7	37.8	42.1	64.5	77.7	93.6
Dividend Yield (%)	**0.3**	**1.2**	**0.9**	**0.9**	**1.0**	**1.5**	**1.8**	**2.2**

E: MOFSL Estimates

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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