

Initiating coverage

Financial
Services

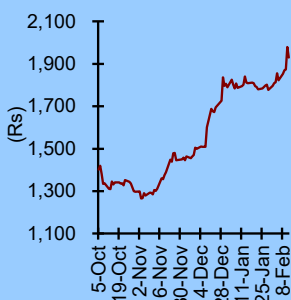
Target price Rs2,085

Shareholding pattern

	Sep '20	Dec '20
Promoters	31.0	31.0
Institutional investors	40.8	48.4
MFs and others	12.1	14.0
Banks/FIs	11.1	3.4
Insurance Cos.	2.1	2.5
FII	15.5	28.5
Others	28.2	20.6

Source: CMIE

Price chart



Play on industry AUM growth

Rs1,915

Computer Age Management Services (CAMS) is the leading Mutual Fund Registrar and Transfer Agent (MF RTA) of India (69.2% market share as of Jan'21). A play on the Indian MF industry (~90% of CAMS' 9MFY21 revenues are based on a percentage fee of AUM of client MFs), CAMS has clocked revenue/EBITDA CAGRs of 14%/19% from FY16 to FY20 against comparable 18% CAGR in India's overall MF AUM. Through strong, longstanding integration with client MFs and widespread distribution infrastructure / technological expertise, CAMS enjoys strong business moat with healthy financials (5-year average RoE at 32% / 5-year average dividend payout at 60%). As business limitations, the earnings growth will likely remain capped to the AUM growth while monetisation of new initiatives will remain constrained in medium term. Based on 14% earnings CAGR between FY20-23E, we initiate coverage on CAMS with a ADD rating and target price of Rs2,085 based on 40x FY23E EPS of Rs52.

- ▶ **CAMS is a play on increase in mutual fund AUM, whose strong growth levers are: underpenetration, increasing financialisation of savings, and improving equity mix.** Mutual fund AAUM has increased from Rs6trn in FY11 to Rs30trn as of Jan'21. We expect the theme of financialisation of savings to continue hereon due to lower returns offered by other asset classes like bank FDs/ real estate. Our macro model (*refer page 11*) suggests that Indian MF AUM is expected to grow at 15% CAGR between FY21E and FY30E from the current Rs30trn to Rs100trn by FY30E. Even after achieving the scale of Rs100trn and assuming domestic GDP to grow at 7.4% CAGR between FY20E and FY30E, MF AUM as a percentage of GDP works out to 24%, which is still lower than the current global average of ~55%.
- ▶ **Strong entry barriers and high market share lend a definite growth outlook.** Entry barriers to MF RTA business include high technology intensity, compliance requirement, extensive branch network and already existing deep integration with the mutual fund ecosystem (industry has gone through consolidation and no MFs have migrated between RTAs). Further, CAMS offers many services online and through several mobile applications to investors, clients, distributors and channel providers. Continued development of proprietary platforms and applications has furthered its competitive technology advantage. (*for details of CAMS applications, refer page 21*)
- ▶ **Global evidence confirms oligopolistic industry structure with sustained profitability:** Evidence from BNY Mellon/State Street shows that players are able to maintain market share and profitability despite fall in asset servicing fees.
- ▶ **Combination of certain outlook of core business growth and possible new opportunities justify expensive valuations.** There are new business opportunities within the Indian MF ecosystem targeted by wealth managers, exchanges and depositories, but CAMS remains better placed to harness the same due to its established relationships with MFs/subscribers. Increasing digitisation, record keeping and financialisation of savings provide attractive opportunities within the core capability of CAMS. Yet, direct customer data monetisation is unlikely to play out in near term as CAMS is not the principal owner of any data.

Market Cap	Rs93bn/US\$1.3bn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	CAMS.BO/CAMS IN	Revenue (Rs mn)	6,996	7,032	7,992	9,000
Shares Outstanding (mn)	48.8	Net Income (Rs mn)	1,718	2,020	2,227	2,541
52-week Range (Rs)	1979/1230	EPS (Rs)	35.2	41.4	45.7	52.1
Free Float (%)	69.0	% Chg YoY	10%	18%	10%	14%
FII (%)	28.5	CEPS (Rs)	45.7	51.7	56.4	64.6
Daily Volume (US\$'000)	NA	EBITDA Margin (%)	41.0	42.1	40.2	40.6
Absolute Return 3m (%)	45.8	P/E	54.3	46.2	41.9	36.7
Absolute Return 12m (%)	NA	Dividend Yield	1.0	2.7	1.5	1.8
Sensex Return 3m (%)	19.5	RoCE (%)	47.1	46.9	49.7	48.7
Sensex Return 12m (%)	27.9	RoE (%)	34.3	38.5	41.2	40.7

Research Analysts:

Ansuman Deb

ansuman.deb@icicisecurities.com
+91 22 6637 7312

Ravin Kurwa

ravin.kurwa@icicisecurities.com
+91 22 2277 7653

TABLE OF CONTENT

Industry overview of MF RTA business.....	3
Revenue model of the industry	4
Business Overview	6
Company Profile	7
Integrated business model and longstanding client relationships	7
Employee strength	8
Timeline.....	9
Shareholder details	10
Investment rationale	11
Play on Indian AUM growth	11
High entry barrier	14
New business segments harbor growth optionality	16
Digital properties of CAMS	21
MyCAMS	22
GoCORP	24
edge360	26
CAMSRep	27
Comparison with AMCs and depositories (CDSL)	28
CAMS vs CDSL.....	28
CAMS Vs AMCs.....	29
Financial analysis	31
Revenue	31
Costs structure	32
Balance sheet highlights	32
Assumptions.....	34
Valuations	35
Risk factors.....	36
Management profile	37
Asset servicing peers.....	38
Global Case studies of Asset Service providers	38
KFin Tech (KFin).....	42
Financial summary (consolidated).....	43
Index of Tables and Charts	45

Industry overview of MF RTA business

Mutual Fund RTAs are an integral part of the entire MF ecosystem. They provide seamless interfaces to asset management companies, investors, exchanges, depositories and other stakeholders. Technology plays an important role for supporting growth in the industry as there are many regulatory guidelines and changes in processes/products that are introduced by AMCs, which have to be incorporated over shortest periods of time.

The duopoly of MF RTA industry has come through consolidation and not by any regulation.

The regulator, through a circular dated 10th Aug'18, reviewed the regulations pertaining to RTAs. They classified certain RTAs as Qualified RTAs (QRTA) if they were servicing more than 20mn folios. QRTAs are required to comply with enhanced monitoring requirements since they hold sensitive financial data of large number of investors. CAMS is a QRTA.

MF RTA industry in India has been in a consolidation phase and gradually been reduced to a duopoly as of now. As in Jan'21, CAMS and KFinTech (KFin) serviced 69.2%* and 28.1% of the total MF AUM respectively.

- During 2005-10, MF RTAs like Datamatics, Citi, Deutsche exited the industry after incurring losses.
- Of the total 44 fund houses in India, only 2 preferred an in-house RTA segment historically (Sundaram and Franklin). Sundaram RTA got merged with Karvy in 2019 and post Franklin Templeton migrating to CAMS (on-boarding expected from FY22), there will be no MFs doing RTA business on their own.

Table 1: List of MFs serviced by CAMS and KFin as of Jan'21

MFs serviced by CAMS	AUM (Rs bn)	MFs serviced by KFin	AUM (Rs bn)
SBI MF	4,983	Nippon India MF	2,256
HDFC MF	4,195	Axis MF	1,952
ICICI Pru MF	3,993	UTI MF	1,794
Aditya Birla SL MF	2,673	Mirae MF	662
Kotak MF	2,327	Edelweiss MF	459
IDFC MF	1,237	Invesco MF	357
DSP MF	962	Sundaram MF	320
Franklin Templeton MF*	857	Canara Robeco MF	267
L&T MF	726	Motilal Oswal MF	249
Tata MF	623	LIC MF	169
HSBC MF	102	Baroda MF	90
PPFAS MF	80	BNP Paribas MF	79
Mahindra Manulife MF	52	Principal MF	76
Union MF	51	PGIM India MF	58
IIFL MF	23	IDBI MF	42
Shriram MF	2	JM MF	28
YES MF	0.2	BOI AXA MF	23
		Quantum MF	18
		IL&FS MF	17
		ITI MF	11
		Essel MF	7
		Indiabulls MF	7
		Quant MF	6
		IIFCL MF	6
		Taurus MF	5
Total	22,887		8,951

Source: AMFI, I-Sec research

*Note we have considered Franklin Templeton MF (FT) as a part of CAMS as on current date. However, on-boarding is expected to happen in Mar'21. Ex-FT, Jan'21 market share stands at 69.2% based on closing AUM.

Revenue model of the industry

The revenue model of Indian MF RTAs typically revolves around the AUMs handled, mix of AUM handled across categories (equity, debt, liquid, hybrid and others), volume of paper-based transactions handled and fees on value-added services offered. However, for AMC's with low AUM, a minimum threshold fee is charged by MF RTAs.

Major part of the revenue earned by MF RTAs (over ~80%) is by means of fees charged on AUMs managed by the AMC's for which MF RTAs provide service.

Fees for MF RTAs in terms of percentage AUM declines with increase in AUM. However, within a given AUM, equity has more fees compared to debt and liquid akin to the AMC industry.

Hence, without change in mix, the revenue growth of MF RTA will lag the growth of MF AUM.

The share of paper transaction was around ~27% pre-Covid and had gone down to 16% during Covid. However, it is expected to come back gradually.

These fees are generally tiered in nature and tend to decrease as a proportion of total AUMs of the fund house once the AUMs surpass the tiers for which the fees are agreed on. The other major portion of revenue is the charge for handling paper-based transactions of AMC's, for which considerable effort is needed to enter the details into the system for effective record keeping and reporting. Although the proportion of these transactions may be going down with increasing usage of online medium, they still form a good portion of MF RTAs' revenue due to higher dependence of institutional investors on paper-based systems. These transactions require higher amount of processing, which in turn lead to higher costs for MF RTAs.

Table 2: MF RTAs charge the highest fee for equity AUMs

	Mar-15	Mar-17	Mar-19	Mar-20
Equity funds	0.075%	0.067%	0.062%	0.059%
Hybrid	0.078%	0.061%	0.060%	0.060%
Debt	0.024%	0.022%	0.022%	0.022%
Liquid	0.033%	0.020%	0.020%	0.022%
Others	0.043%	0.024%	0.016%	0.015%

Source: Company RHP, I-Sec research

Note: Above rates are based on approximate rates charged by MF RTAs based on information provided in the RHP

There is likely to be a reduction in fees charged by RTAs as a proportion of AUM as the size of industry AUM increases is expected. However, RTAs will benefit from an expected increase in the share of equity and hybrid funds in industry AUM.

Table 3: Industry segmental AUM trend of domestic MFs (Rs bn)

Category (Rs bn)	Equity	Debt	Liquid / Money Market	Others	Total
Mar-15	3,715	5,316	1,626	171	10,828
Mar-16	4,255	5,835	1,994	244	12,328
Mar-17	6,283	7,606	3,141	517	17,547
Mar-18	9,219	7,994	3,355	791	21,359
Mar-19	10,727	7,297	4,362	1,409	23,795
Mar-20	8,889	7,457	4,242	1,674	22,262
fiscal 2015-2020 CAGR	19%	7%	21%	58%	16%

Source: Company RHP, I-Sec research

Table 4: CAMS revenue reconciliation

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total AAUM	3,500	3,600	3,600	5,000	5,100	6,573	7,931	10,294	13,759	15,841	18,149
Equity	1,228	1,274	1,216	1,346	1,285	1,774	2,327	2,921	4,885	6,233	6,707
Non-Equity	2,272	2,326	2,384	3,654	3,815	4,798	5,604	7,373	8,874	9,609	11,442
Yields (approximated)											
Equity	13.0	11.0	10.5	9.5	10.0	8.0	8.6	7.4	6.5	5.5	5.2
Non-Equity	3.0	3.5	3.0	2.3	2.8	2.8	2.0	2.2	2.0	2.0	1.8
Data processing charges											
	2,323	2,167	1,925	2,068	2,357	2,772	3,119	3,791	4,935	5,350	5,534
Customer care											
	360	467	343	328	315	464	368	480	712	657	625
Total MF related	2,683	2,634	2,268	2,396	2,672	3,236	3,487	4,271	5,647	6,007	6,159
Recoverable	244	284	195	170	198	240	225	262	411	480	363
Miscellaneous services	61	89	112	132	183	222	244	218	308	353	388
Software license fee, development/support charges							24	32	50	97	86
Total Revenue	2,988	3,007	2,575	2,698	3,053	3,663	3,979	4,783	6,415	6,936	6,996

Source: Company, I-sec Research; Note: FY10-FY15 revenue is based on standalone numbers; Customer care includes paper transaction fees

Table 5: H1FY21 revenue breakup

	H1FY21	H1FY20	% YoY
AUM (Rs trn)	18.4	17.61	4.50
MF related revenue (89%) (Rs mn)	2,856	3,047	
Asset based (80%) (Rs mn)	2,558	2,514	2
Equity AUM (Rs trn)	5.8	6.3	-7.7
Non-Equity AUM (Rs trn)	12.6	11.3	11.3
Approx yields (bps)			
Equity AUM	5.55	5.55	
Non-Equity AUM	1.51	1.36	
Derived revenue (Rs mn)			
Equity (Rs mn)	1,610	1,744	
Non-Equity (Rs mn)	949	771	
Effective overall yield (bps)	2.78	2.86	
Non Asset based (Rs mn)	297	491	-39
Non MF (Rs mn)	342	441	-22
Total Revenue (Rs mn)	3,198	3,488	-8

Source: I-Sec research

Table 6: Q3FY21 revenue breakup

(Rs mn)	Q3FY21	Q3FY20	% YoY
AAUM	20.8	18.6	11.60
MF related	1,706	1,537	11
Asset based	1,410	1,270	11
Equity AUM	7.1	6.9	2.1
Non Equity AUM	13.7	11.7	17.2
Approx yields			
Equity AUM	5.15	5.18	
Non Equity AUM	1.45	1.28	
Derived MF revenue			
Equity	911	897	
Non Equity	498	375	
Effective overall yield	2.71	2.73	
Non Asset based	296	259	14.5
Non MF	154	224	-31
Total Revenue	1,860	1,761	5.6

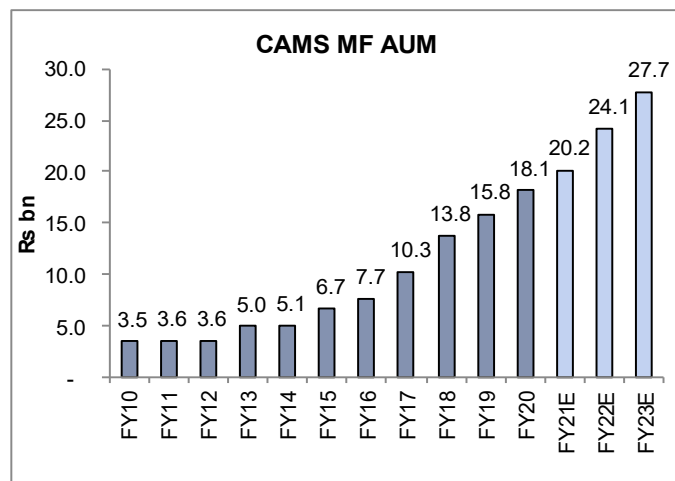
Source: I-Sec research

Estimated yields for equity and non-equity AUM remains in the range of ~5.2-5.5bps and 1.3-1.5bps respectively

Business Overview

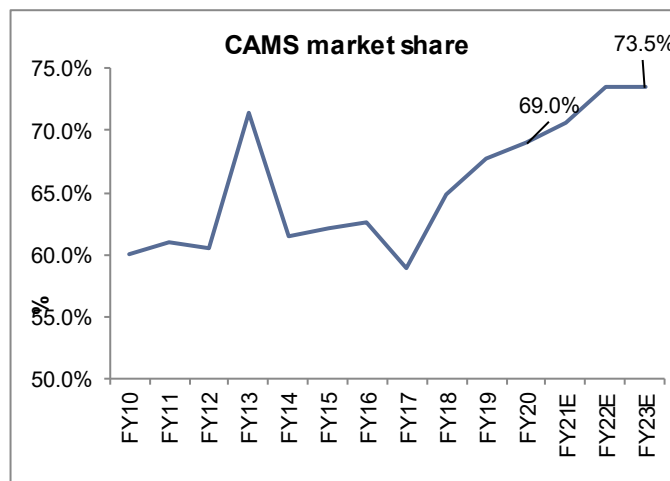
Over the last four years, CAMS has grown its market share from 60.5% during March 2015 to 69.2% as of Jan'21, based on AAUM serviced. Its mutual fund clients include Top 5 five largest mutual funds as well as ten of the 15 largest mutual funds based on closing AUM as of Jan'21 (nine out of 15 largest MFs as of 9MFY21).

Chart 1: AUM serviced by CAMS



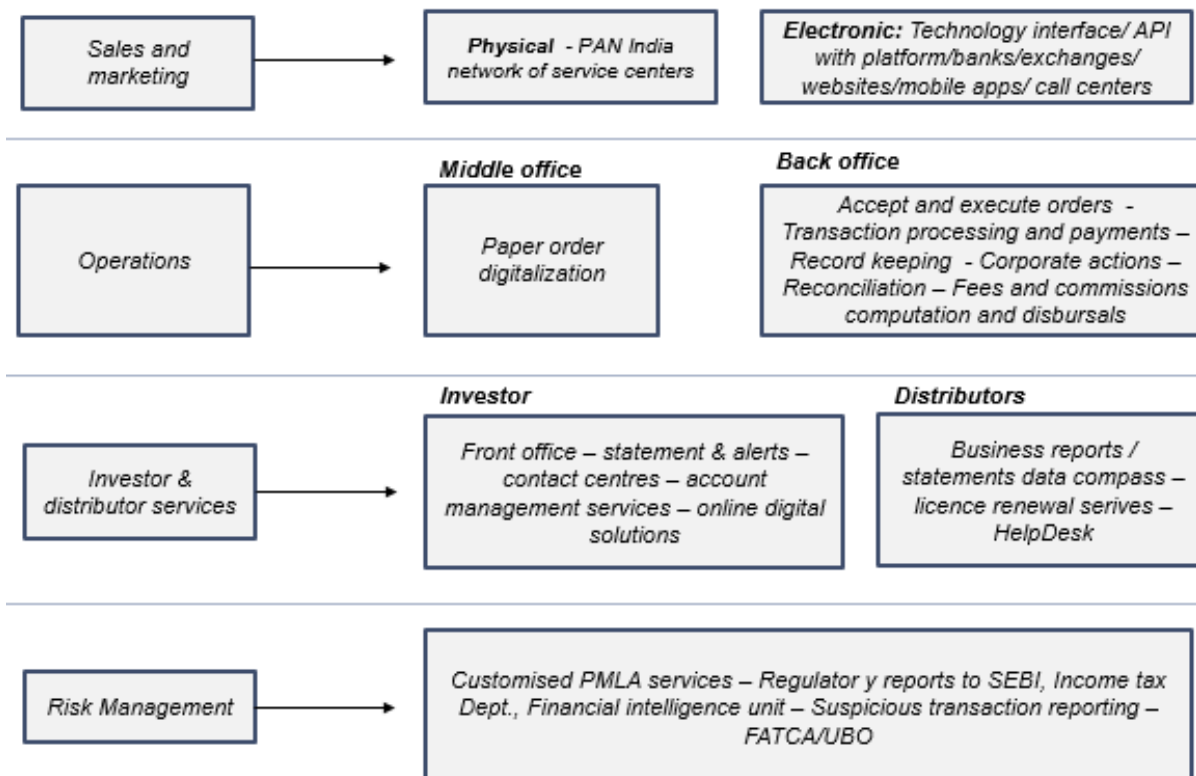
Source: Industry data, I-Sec research
 Note: AUM prior to FY16 is based on estimates.

Chart 2: CAMS market share trend



Source: Bloomberg, I-Sec research

Chart 3: Role of CAMS



Source: Industry data, I-Sec research

Company Profile

CAMS is a technology-driven financial infrastructure and services provider to mutual funds and other financial institutions with over two decades of experience. CAMS is the largest registrar and transfer agent of mutual funds with an aggregate market share of 69.2% based on MF AUM (closing basis) as of Jan'21 (69.5% as of Q3FY21 AAUM).

Over the last four years, CAMS has grown its market share from 60.5% during March 2015 to 69.5% in Q3FY21, based on AAUM serviced. Its mutual fund clients include top five largest mutual funds as well as ten of the 15 largest mutual funds based on Jan'21 closing AUM (nine out of 15 largest MFs as of 9MFY21). With the initiative of creating an end-to-end value chain of services, CAMS has grown its service offerings and currently provides a comprehensive portfolio of technology-based services, such as transaction origination interface, transaction execution, payment, settlement and reconciliation, dividend processing, investor interface, record keeping, report generation, intermediary empanelment and brokerage computation and compliance related services, through pan-India network to its mutual fund clients, distributors and investors.

It also provides certain services to alternative investment funds, insurance companies, banks and non-banking finance companies.

Integrated business model and longstanding client relationships

Utilising its diverse portfolio of technology-enabled services and leveraging its pan-India physical network, domain expertise of the Indian financial services ecosystem and a comprehensive risk management system, CAMS has built an integrated business model and has longstanding client relationships in mutual funds services business. The business model and client relationships offer several key advantages such as

- CAMS offers an integrated business model wherein the portfolio of services offered and its pan-India physical network enable clients to leverage its technology-driven financial infrastructure thereby, reducing the need for them to make significant investments to develop and offer such services.
- CAMS has managed to develop a committed client base over the years. Its clients rely on its infrastructure and expertise built over decades of experience for day-to-day aspects of their business building on client loyalty. The average term of relationship with its ten largest mutual fund clients is 19 years as of September 30, 2020. CAMS lost only one client due to the merger of such fund with a fund that was serviced by a competitor

Overview of CAMS infrastructure

- CAMS technology platform has built in interfaces to receive, process and deliver data with multiple market participants.
- Based on deep mutual fund domain knowledge, in-house solution design team takes care of continual upgrades and client-specific customisation of the technology platform.
- CAMS IT infrastructure has capability for processing high volumes of transactions. CAMS run its own data centres on completely virtualised Hyper Converge Infrastructure (HCI) and can build and host multiple applications' APIs
- CAMS has multiple data centres including in-city and off-city. Off-city BCP site at Coimbatore is a hot-site with over 500 staff and ability to execute critical deliverables
- In response to lockdown, the company launched a massive program to ensure continuity of its services, which allowed critical employees to work remotely from home, while continuing to provide services to customers.
- With its service centres spread over 25 states and five Union Territories, which are supported by call centres in four major cities, CAMS has nearly eliminated the MFs' need to set up their own infrastructure.
- **Scalable technology enabled ecosystem:** CAMS proprietary platforms are built to absorb growth in number of investors, assets and trading volumes. From handling over 98mn transactions in FY15, CAMS handled over 320mn transactions in FY20 (238mn transaction in 9MFY21).

Employee strength

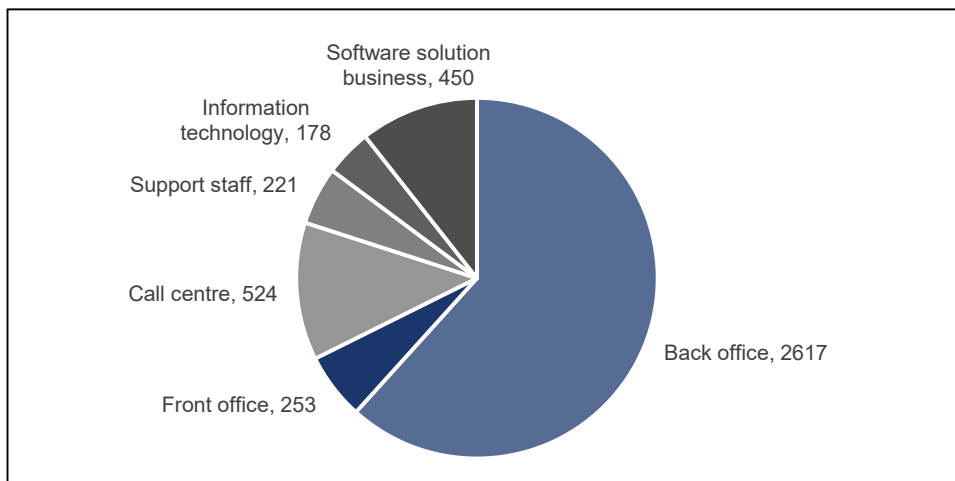
As of Jun'20, CAMS had 6,262 employees, which includes contractual employees split across functions.

Table 7: Employee split

	Mar-17	Mar-18	Mar-19	Jun 20
Number of employee (including contract workers)	5,986	8,297	6,660	6262

Source: RHP, I-Sec Research

Chart 4: Employee split



Source: I-Sec Research

Employee count can change with the quantum of paper transactions. Decrease in paper transaction can reduce the employee count.

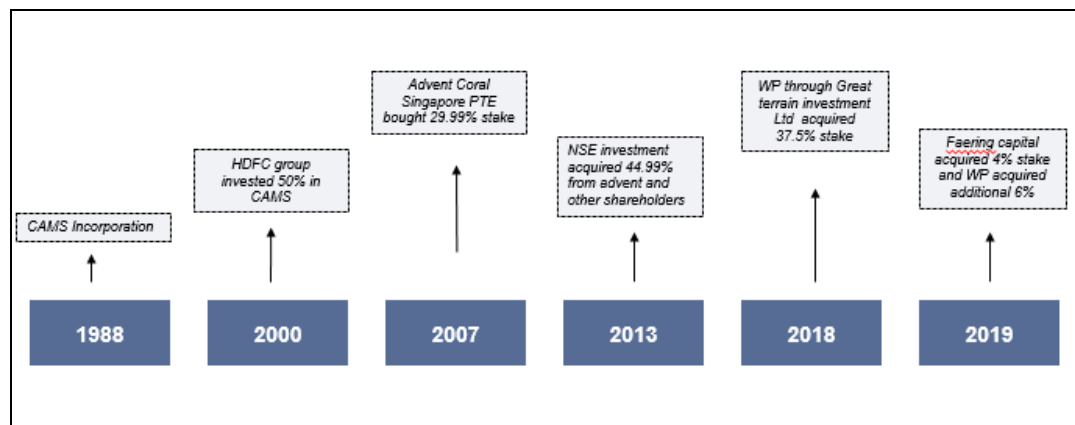
Timeline

Chart 5: CAMS – Milestones

Year	Milestone
2020	<ul style="list-style-type: none"> Franklin Templeton appointed CAMS as its RTA agent (expected to go live from Apr'21 / May'21) Aadhar-based E-KYC launched in Nov'20 Loan against MF application launched. New sign-ups included ICICI Bank, JM Financials, Bajaj Finserv, TATA Capital and Yes Bank. UPI AutoPay enabled for SIP through CAMSPay APP (first in the industry) Recognized as the Star of FinTech in Tamil Nadu (highest category recognition) by Tamil Nadu Government
2019	<ul style="list-style-type: none"> Company was converted into a public limited company and received a fresh certificate of incorporation from the RoC on September 27, 2019 Great Terrain acquired 6.03% stake in the company
2018	<ul style="list-style-type: none"> Great Terrain acquired 37.50% stake in the company
2016	<ul style="list-style-type: none"> CFISPL was incorporated on September 26, 2016
2013	<ul style="list-style-type: none"> CIRSL was issued a certificate of registration dated July 31, 2013, by IRDAI to carry on the business as an insurance repository Company acquired 100% stake in SSPL, which provides technology support
2012	<ul style="list-style-type: none"> CISPL was incorporated on February 13, 2012 CISPL was issued a certificate of registration dated June 29, 2012, to carry on the business as a KRA.
2011	<ul style="list-style-type: none"> CIRSL was incorporated on May 12, 2011 CIRSL received in-principle approval of IRDAI to carry on business as an insurance repository
2007	<ul style="list-style-type: none"> Company was issued a certificate of registration dated January 31, 2007, by SEBI to act as a depository participant for CDSL
2006	<ul style="list-style-type: none"> Company was issued a certificate of registration dated June 1, 2006, by SEBI to act as a depository participant for NSDL
1995	<ul style="list-style-type: none"> The certificate of registration was issued to the company was upgraded and a fresh certificate of registration as Registrar to an Issue and Share Transfer Agent under category I, dated July 22, 1995, was issued by SEBI
1993	<ul style="list-style-type: none"> Company was issued a certificate of registration as a Registrar to an Issue under category II, dated December 24, 1993, by SEBI
1988	<ul style="list-style-type: none"> Company was incorporated as Computer Age Management Services Private Limited and received a certificate of incorporation from the RoC on May 25, 1988

Source: RHP, I-Sec research

Chart 6: Timeline of key stakes bought by investors



Note: WP refers to Warburg Pincus

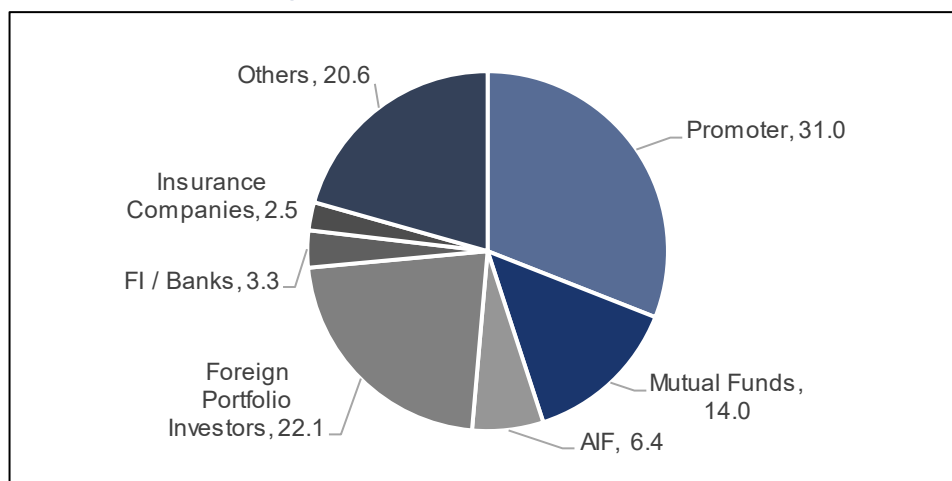
Table 8: Past transactions have been in the range of 19-23x

Company	Deal year	Stake	Investment amount (mn)	Implied Valuation (mn)	PAT		Trailing PE
NSE	2013	45%	5,730	12,733	FY14	654	19
Warburg Pincus	2018	37.50%	12,468	33,248	FY18	1,460	23
Warburg Pincus	2019	6%	1,695	28,301	FY19	1,345	21

Source: Company RHP; I-Sec research

Shareholder details

Chart 7: Shareholding pattern as on Dec-20



Source: BSE, I-Sec research,

Table 9: Shareholders details as on Dec-20

List of shareholders as per exchange fillings	% holding
Promoter	
Great Terrain Investment Ltd	30.98
Mutual Funds	14.0
SBI Small Cap Fund	3.9
ICICI Prudential Long Term Equity Fund Tax Savings	2.9
HDFC Balanced Advantage Fund	2.4
Aditya Birla Sun Life Banking And Financial Services Fund	1.5
Alternate Investment Funds	6.38
IIFL India Private Equity Fund - Series 1a	2.14
Faering Capital India Evolving Fund li	1.91
Faering Capital India Evolving Fund lii	1.09
Foreign Portfolio Investors	22.14
Smallcap World Fund, Inc	5.74
Fidelity Investment Trust Fidelity Emerging Asia Fund	1.6
Goldman Sachs Funds - Goldman Sachs Emerging Markets Equity Portfolio	1.28
Abu Dhabi Investment Authority - Behave	1.14
Financial Institutions/ Banks	
HDFC Bank Ltd	3.33
Insurance Companies	2.53
SBI Life Insurance Co. Ltd	1.95
Others	20.61

Source: BSE, I-Sec Research

Note 1: NSE sold its 37.4% in IPO.

Note 2: Above list contains name of shareholders holding more than 1%

Investment rationale

Play on Indian AUM growth

Indian AUM growth will be driven by financialisation of savings, under penetration and low equity mix of AUM. CAMS is the most definitive play on growing AUM.

Mutual fund AAUM has increased from Rs6trn in FY11 to Rs30trn as of Jan'21. The absolute growth of Rs24trn was equally contributed through flows and performance. We expect the theme of financialisation of savings to continue hereon due to lower returns offered by other asset classes like bank FDs and real estate. Our macro model suggests that Indian MF AUM is expected to grow at 15% CAGR between FY21 and FY30 from the current Rs30trn to Rs100trn by FY30. This incremental Rs70trn will be largely driven largely by performance (Rs66trn assuming CAGR return of 15% per annum compared to 14% return per annum between FY11-20). We have assumed total annual net inflows of Rs1trn-1.4trn in FY20-30 which will be an average 0.4% of GDP compared 0.8% of GDP seen between FY10-20. Even after achieving the scale of Rs100trn and assuming domestic GDP to grow at 7.4% CAGR between FY20 and FY30, MF AUM as a percentage of GDP works out to 24%, which is still lower than the current global average of ~55%.

Our macro model suggests +Rs100trn AUM by FY30

Assumptions underlying the macro model:

- We expect equity outflows in FY21, Rs1trn inflows in FY22 and the same to increase by 7% p.a. We expect equity AUM to grow at 10% p.a. on an overall basis, and at 18% CAGR between FY21E-FY30E.
- We have assumed debt AUM to grow at a CAGR of 11% between FY21E-FY30E. We expect debt flows to be 0.11% of GDP and expect the performance of an average 7% p.a. till FY30E.
- We have assumed liquid AUM to witness a CAGR of 14% between FY21E and FY30E. Liquid AUM registered a growth of 20% between FY10 and FY20 largely driven by flows into the schemes. We expect lower return on AUM and assume liquid AUM to increase with the rising flows.
- Others including ETFs have risen at a CAGR of 51% due to very low base. We expect moderate returns of 11% on AUM between FY21E-FY30E.
- We expect overall AUM to grow at 15% CAGR between FY21E-FY30E vs 14% between FY10-20. Unlike FY10-FY20, where AUM growth was driven equally by both flows and performance, we expect performance to be sole factor drive performance going forward. We have assumed total annual net inflows of Rs1-1.4trn between FY21-30
- Based on the assumptions stated above, our macro model suggests equity mix to improve from 40% in FY20 to 51% by FY30E, which also underlies our assumption that retail participation is likely to increase going forward. Historically, retail investors have shown a higher preference towards equity assets.

Table 10: Trend so far

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	Avg.
Equity	2,154	2,138	1,983	1,888	2,079	3,715	4,255	6,283	9,219	10,727	9,990	
Flows	19	-105	43	-134	-124	785	924	1,058	2,596	1,147	667	0.51%
% of GDP	0.0%	-0.1%	0.0%	-0.1%	-0.1%	0.6%	0.7%	0.7%	1.5%	0.6%	0.3%	
Performance	946	89	-197	39	315	851	-383	969	341	361	-1,404	
Returns	79.6%	4.1%	-9.2%	2.0%	16.7%	40.9%	-10.3%	22.8%	5.4%	3.9%	-13.1%	
Debt	3,180	2,979	2,970	4,061	4,709	5,340	5,855	7,623	8,009	7,316	7,880	
Flows	933	-368	-185	870	387	126	154	1,173	-91	-1,246	374	0.09%
% of GDP	1.5%	-0.5%	-0.2%	0.9%	0.3%	0.1%	0.1%	0.8%	-0.1%	-0.7%	0.2%	
Performance	183	168	177	221	261	505	361	595	477	553	190	
Returns	8.8%	5.3%	5.9%	7.4%	6.4%	10.7%	6.8%	10.2%	6.3%	6.9%	2.6%	
Liquid	781	737	804	934	1,333	1,626	1,994	3,141	3,355	4,362	4,289	
Flows	-121	-35	-71	32	241	98	170	958	-29	761	-76	
% of GDP	-0.2%	0.0%	-0.1%	0.0%	0.2%	0.1%	0.1%	0.6%	0.0%	0.4%	0.0%	
Performance	-4	-9	138	98	158	195	199	189	244	246	2	
Returns	-0.5%	-1.2%	18.7%	12.2%	16.9%	14.6%	12.2%	9.5%	7.8%	7.3%	0.1%	
Others	25	69	115	131	132	147	224	499	777	1,391	2,261	
Flows	-0	14	-6	-2	38	24	91	241	243	435	-92	0.07%
% of GDP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.2%	0.0%	
Performance	12	30	52	18	-37	-9	-14	34	35	179	963	
Returns	84%	117%	75%	16%	-28%	-7%	-10%	15%	7%	23%	69%	
Closing MF	6,140	5,923	5,872	7,014	8,252	10,828	12,328	17,546	21,360	23,797	24,420	
Flows	831	-494	-220	765	541	1,033	1,338	3,431	2,718	1,097	873	0.82%
Performance	1,136	277	170	377	697	1,542	162	1,787	1,096	1,339	-250	

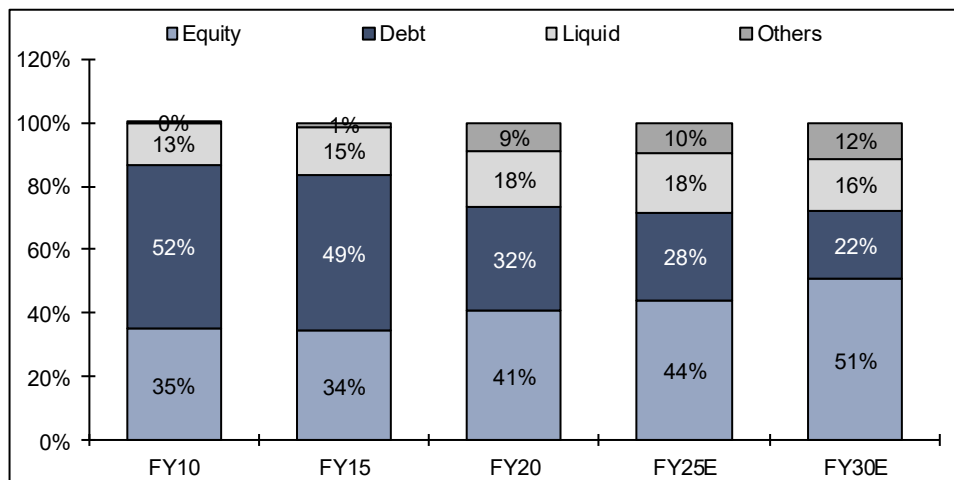
Source: AMFI, I-Sec Research

Table 11: AUM trajectory expectations for FY20-30

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Equity	11,407	13,152	15,495	18,243	21,753	26,289	31,143	36,705	43,292	51,077
Flows	-436	1,174	633	1,198	1,686	2,360	2,225	2,448	2,917	3,455
% of GDP		0.51%	0.25%	0.43%	0.55%	0.70%	0.60%	0.60%	0.65%	0.70%
Performance	1,453.00	570.37	1,709.79	1,549.53	1,824	2,175	2,629	3,114	3,670	4,329
Returns	14.5%	5.0%	13.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Debt	9,416	10,377	11,435	12,491	13,647	14,912	16,371	18,015	19,868	21,960
Flows	2,347	207	228	279	307	337	445	530	628	740
% of GDP		0.09%	0.09%	0.10%	0.10%	0.10%	0.12%	0.13%	0.14%	0.15%
Performance	-300.00	753.30	830.14	777.58	849	928	1,014	1,113	1,225	1,351
Returns	-3.8%	8.0%	8.0%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Liquid	5,696	6,440	7,296	8,143	9,112	10,186	11,414	12,776	14,331	16,107
Flows	453	345	405	446	521	573	668	734	853	987
% of GDP		0.15%	0.16%	0.16%	0.17%	0.17%	0.18%	0.18%	0.19%	0.20%
Performance	-155.33	398.69	450.78	401.27	447.86	501.15	560.24	627.77	702.68	788.22
Returns	-3.6%	7.0%	7.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Others	2,322	2,831	3,430	4,034	4,786	5,679	6,774	8,152	9,779	11,696
Flows	381	184	203	279	368	438	556	734	853	987
% of GDP		0.080%	0.080%	0.100%	0.120%	0.130%	0.150%	0.180%	0.190%	0.200%
Performance	-									
Returns	1,276.87	325.04	396.34	325.85	383	455	539	644	774	929
	-56%	14%	14%	10%	10%	10%	10%	10%	10%	10%
MF AUM	28,841	32,800	37,656	42,912	49,298	57,066	65,702	75,648	87,271	1,00,839
Flows	2,745	1,911	1,469	2,201	2,881	3,709	3,894	4,447	5,251	6,171
Performance	1,676	2,047	3,387	3,054	3,505	4,059	4,743	5,499	6,373	7,398

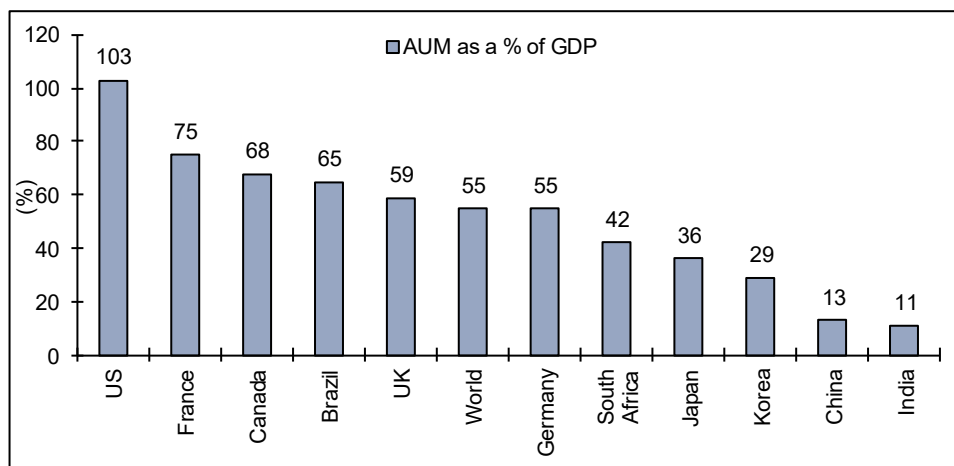
Source: I-Sec Research

Chart 8: Equity AUM mix is expected to improve to 53% by FY30E



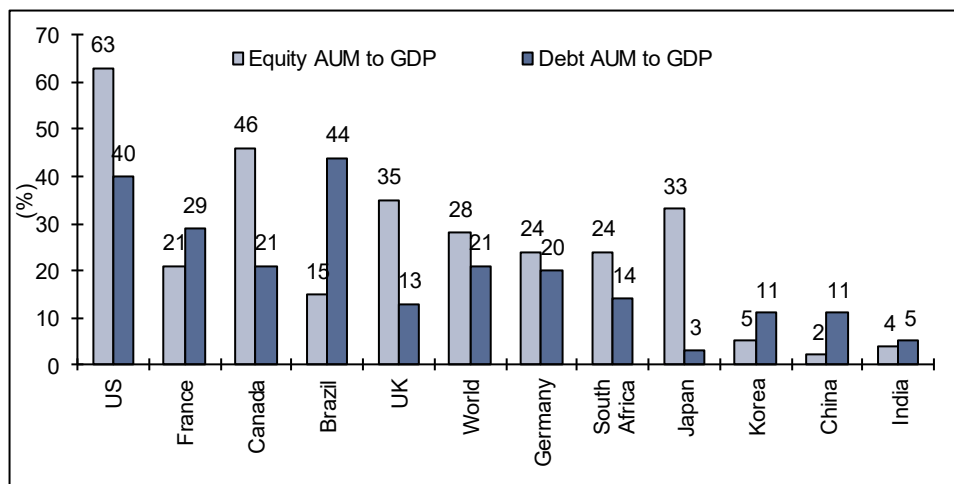
Source: AMFI, I-Sec research

Chart 9: MF penetration in India remains very low compared to other countries (GDP in US\$ terms)



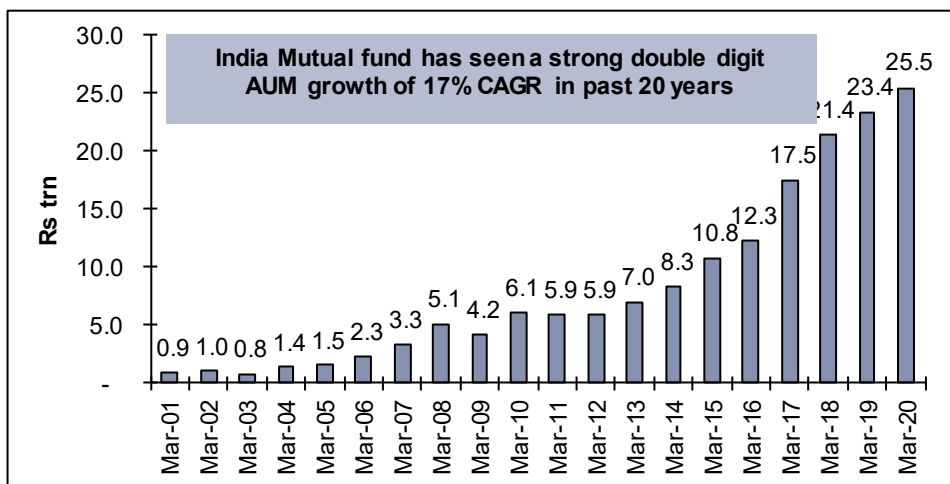
Source: I-Sec research, Bloomberg

Chart 10: Equity AUM and debt AUM as % of GDP for India indicate good headroom for growth



Source: I-Sec research, Bloomberg

Chart 11: Indian AUM has witnessed a healthy growth led by healthy retail participation



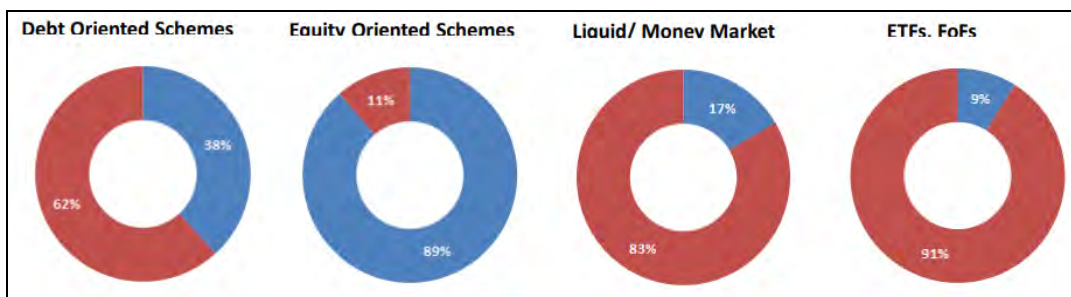
Source: I-Sec research, Bloomberg

Equity-oriented schemes derive 89% of their assets from individual investors (Retail + HNI)

Increasing participation of retail investors + their preference towards equity savings instruments bodes well for MF Industry and MF RTA

Individual investors (retail and high net worth individuals) prefer investing in equity-oriented funds and institutional investors prefer investing in fixed-income (debt and liquid/ money market).

Chart 12: Participant-wise asset class bifurcation



Source: AMFI (Data as of Dec'20)

Institutional investors dominate liquid and money market schemes (83%), debt oriented schemes (62%) and ETFs, FOFs (91%).

High entry barrier

As of Jan'21, the 42 AMC's are serviced by the following MF RTAs: CAMS, KFin Technologies Private. In October 2019, Sundaram BNP Paribas Fund Services had announced the sale of its RTA business to Karvy. Franklin Templeton Asset Management (India) has decided to shut its RTA operations and has chosen CAMS as its RTA agent.

CAMS serviced Rs22trn of average AUM which constituted approximately 69% of the total mutual fund industry AUM as of Jan'21. The reasons for the concentration in market share amongst CAMS and Karvy Fintech is attributed to the following reasons:

High technology intensity, compliance requirements and need to keep investing despite changing regulations: The MF RTA business is technology intensive requiring continuous upgradation of systems and processes in-line with the increase in

business volume as well as changing regulations. In addition, the business entails significant focus on data security, quality management and compliance.

Requirement of extensive branch network: With mutual fund investors from across the country, MF RTAs have to keep expanding their branch network to properly service these investors. Lower tier cities being less tech savvy and lacking financial expertise, the physical footprint of such MF RTAs becomes even more important, as the share of mutual fund investors from these cities has been increasing over the years. CAMS, the market leader, had 271 service offices (as of Nov'20) and Karvy had 203 (data as of FY20).

High operating leverage: The MF RTA business is volume driven and investments in expanding the service network as well as technology is justified only if business volume is adequate. Technology driven efficiency gains can lead to gain in more operating leverage through lower employee cost.

Knowledge base acquired through years of experience: Both CAMS and Karvy have accumulated significant domain knowledge on investors in mutual fund industry and the industry itself through years of experience in servicing such investors (31 years for CAMS and 36 years for Karvy). Accordingly, they have developed relationships with AMCs and offer them insights regarding investor behaviour regularly.

The term of relationship of CAMS with HDFC Asset Management Company, ICICI Prudential Asset Management Company, SBI Funds Management Private and Aditya Birla Capital, four largest mutual fund clients, averages 19 years as of September 30, 2020.

Enhanced monitoring

SEBI, through a circular dated August 10, 2018, reviewed the regulations pertaining to RTAs. It classified certain RTAs as Qualified Registrar and Transfer Agent ("QRTA"), if such RTAs were servicing more than two crore folios. QRTAs are required to comply with enhanced monitoring requirements since they hold sensitive financial data of a large number of investors. Certain compliance requirements are already prescribed for QRTAs with respect to data security and systems audits.

In mutual fund services business, CAMS assists its clients with their compliance requirements, including submission of reports to regulators. It continuously monitors its systems and processes and endeavors to not only benchmark them against Indian competitors but also incorporate industry best practices and technological advancements in its operations. The focus on systems and processes has contributed significantly to growth and allowed CAMS to become a trusted provider of services to its clients and other stakeholders

New business segments harbor growth optionality

New business segments for CAMS include accounts aggregator, payments aggregator, servicing AIFs/PMS, loans against MF, Central record Keeping Agency (CRA) for National Pension Scheme(NPS), insurance repository and e-KYC business.

CAMS Finserv: Accounts aggregator (AA)

CAMSFinserv has received the license from RBI to act as an account aggregator. AA works on a mechanism through which a user's financial information is collated from multiple Financial Information Providers (FIP) and securely sent to the authorized Financial Information User (FIU) with the consent of the customer. The customer has complete control on where he will seek the data from and who he will share it with.

CAMS Finserv has been able to create intense market connect and engagement leading to six FIU sign-ups as of Q3FY21. Mobile app launch has been planned in early Q1FY22

Benefits of AA:

- AA provides round the clock access of data to the customer
- Reduction in time for customer to obtain financial information through various financial institutions
- Consents are easy to manage
- Reduction of paper work. Tampering of any financial record by the handler can be eliminated
- Loan approval process becomes simple and swift

CAMSPay: Payment aggregator business.

CAMSPay is an end to end highly automated National Automated Clearing House (NACH) platform that supports electronic payments through National Payments Corporation of India (NPCI) platform. This platform provides CAMS MF clients to receive funds from investor through SIP accounts. CAMS also provides services to non-banking financial companies and have expanded the scope of this business to facilitate payments through Immediate Payment Service and Unified Payments Interface technology.

CAMS incorporated CAMS payment Services Private Limited, wholly owned subsidiary during Q3FY21.

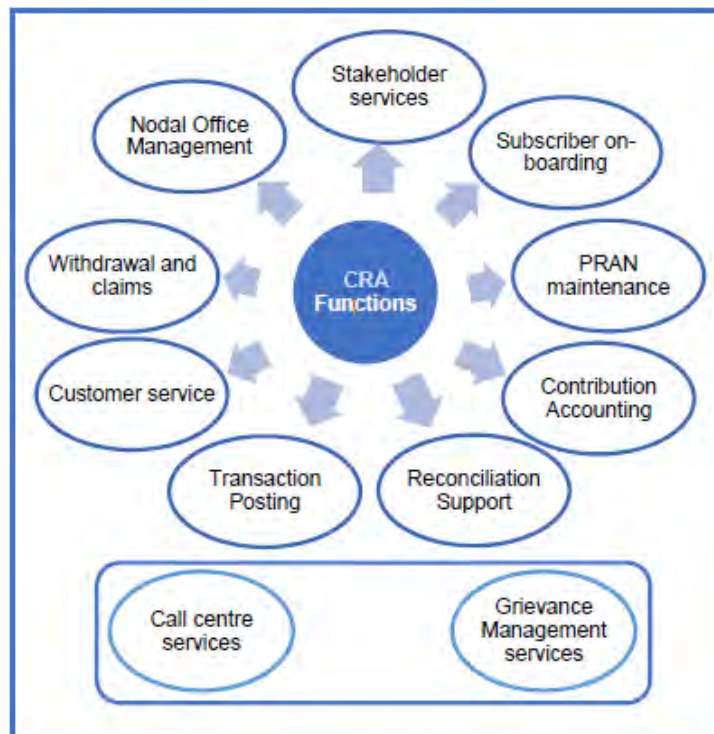
CRA for National pension scheme:

CAMS has been selected as an entity for setting CRA for NPS. The evaluation and selection process was completed via RFP to evaluate capabilities, commercial and presentation to the selection committee. Registration expected in Feb'21 / Mar'21 and thereafter they can go live in ~38 weeks. Expected investment in next three years is Rs100-150mn.

CRA is the core infrastructure for the National Pension System and is critical for its successful operationalization. The main functions and responsibilities of the CRA include:

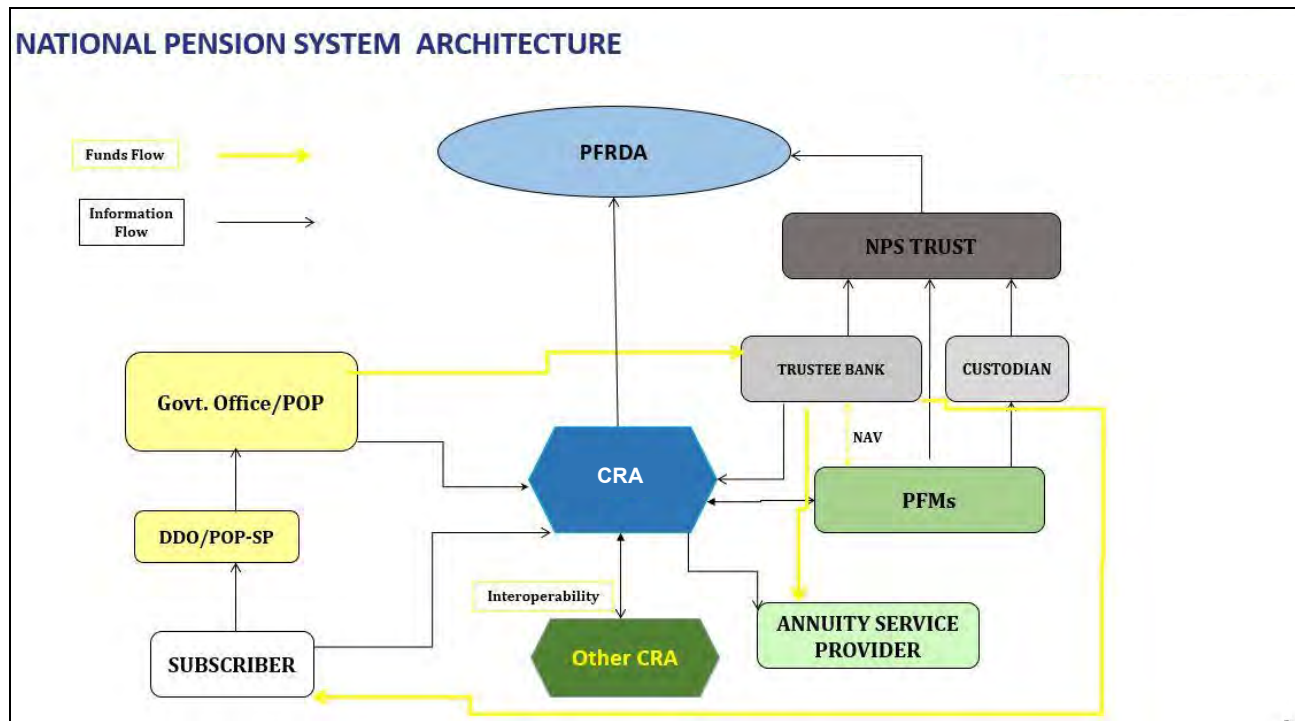
- Recordkeeping, Administration and customer service functions for all subscribers of the NPS.
- Issuing of unique Permanent Retirement Account Number (PRAN) to each subscriber, maintaining a database of all PRANs issued and recording transactions relating to each subscriber's PRAN.
- Acting as an operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank, etc. CRA will monitor member contributions and instructions and transmit the information to the relevant Pension Fund and schemes on a daily basis. CRA will provide periodic, consolidated PRAN statements to each member and discharge such other duties and functions as may be determined by the guidelines, directions and regulations issued by the PFRDA from time to time.

Chart 13: Functions of CRA



Source: CAMS presentation, I-Sec Research

Chart 14: NPS Architecture



Source: K-Fin tech.

AIF (Alternate Investment Fund)

As part of its AIF services business, CAMS provides services to investors, manages records and does fund accounting and reporting. CAMS managed 82 AIF clients, (Rs159.5bn in AAUM for Dec 2020).

Loan against shares

Signups include HDFC bank, ICICI Bank, JM Financial, Bajaj Finserv, TATA Capital and Yes Bank. Loans against MF is paperless and an instant way to avail liquidity against MF units. There are no lien marking and lien removal charges involved in the same. Many online portals sanction loans quickly if units are in the demat form and have prior permission. In case of physically owned funds, a loan agreement with the financier/bank should be in place. The lender asks CAMS to mark a lien on the number of units being pledged. CAMS then marks the lien and sends a letter to the lender with a copy to the borrower confirming the lien. An important thing to keep in mind is that the lien is marked against the units and not the amount. One cannot redeem the units before repayment of loan. An advantage of this system is that one can retain MF portfolios whenever the need for liquidity arises. Interest is charged on utilised amount and for utilisation period only. Interest is calculated on daily outstanding balance and charged on last working day of the month in normal course.

Key features are as follows

- Depending on the bank's policy, loan up to 40-50% of the NAV in case of equity mutual funds and up to 70-80% in case of debt mutual funds can be availed. The routine revaluation takes place every Friday and the limits get revalued as per the current NAV of the mutual funds.
- The interest rates for a loan against mutual funds can be lower than that for personal loans.

Illustrations of features offered by different banks

Chart 15: SBI – Loans against mutual fund units

The screenshot displays the SBI website interface for 'Loan Against Mutual Fund Units'. It includes a navigation menu with 'Personal Banking', 'Personal Finance', 'Home Loan', and 'Personal Loans'. The main content area is titled 'Loan Against Mutual Fund Units' and lists several features:

- Minimum Loan Amount:** Rs 25,000/-
- Maximum Loan:**
 - (a) Equity/ Hybrid/ ETF MF: Rs 20,00,000
 - (b) Debt/ FMP MF: Rs 5,00,00,000.
- Margin:**
 - (a) Equity/ Hybrid/ ETF MF: 50%
 - (b) Debt/ FMP MF: 15%
 - Approved Schemes: [List of Approved Schemes](#)
- Interest Rates:** [Click here for Interest Rates](#)
- Processing Fees:** 0.75% of the Loan Amount + applicable Service Tax (ST) (Max: Rs 50,000 + applicable ST)
- Review/Renewal Charges (Yearly):** Rs 1000 + applicable ST

Source: SBI website

Chart 16: ICICI Bank – Loans against mutual fund units

The screenshot shows an advertisement for ICICI Bank's 'Insta Loan Against Mutual Funds'. The main headline asks 'Want instant liquidity against your mutual fund?' and states 'Presenting Insta Loan Against Mutual Funds in just a few minutes*!'. A prominent 'APPLY ONLINE' button is visible. Below the main text, there is a navigation menu with 'Loan Against Securities', 'Insta LAS', 'Insta Loan against Mutual funds', and 'More'. The sub-headline reads 'Insta Loan Against Mutual Funds' and notes 'Now avail of Insta Loan Against Mutual Funds in just a few minutes!'. A detailed description at the bottom explains that the facility is paperless and instant, available through the Insta Loan Against Mutual Funds facility, and can be availed by marking a lien on mutual funds managed by asset management companies registered with Computer Age Management Solutions Private Limited ('CAMS'), in a few simple clicks.

Source: Company website

Insurance repository

Currently, four companies are performing the function of insurance repositories. Insurance repositories are single stop shop for policy servicing and performing a series of services for policyholders.

However, in recent notification from IRDAI, all insurance companies have been asked to issue digital insurance via DigiLocker. This remains an overhang on the insurance repository business segment of remaining four companies.

NSDL Database Management Limited and CAMS have a combined market share of approximately 84% based on e-insurance policies being managed and approximately 67% based on e-insurance accounts.

Table 12: Total e-insurance policies and e-insurance accounts with each insurance repository

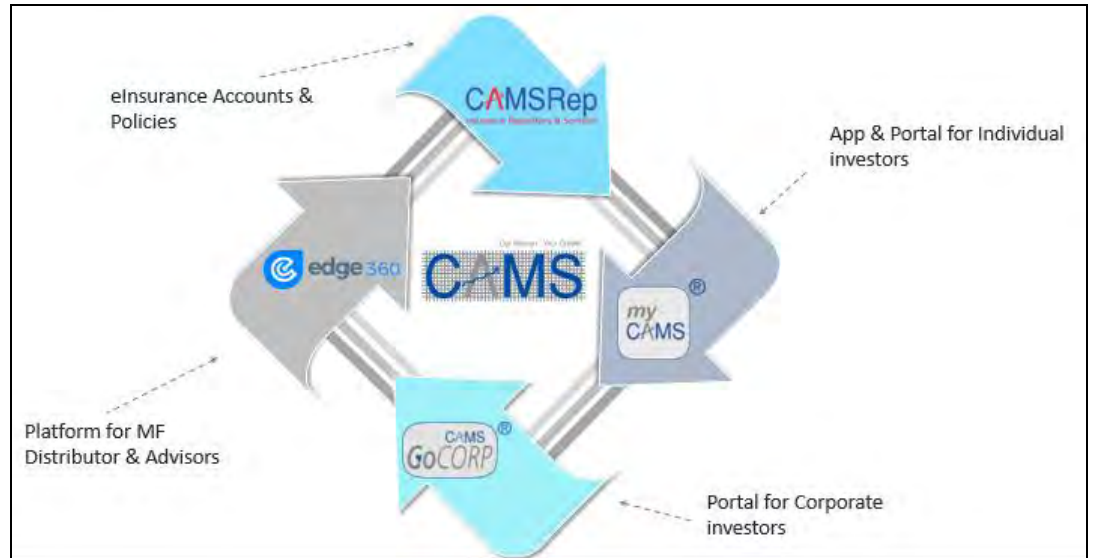
	Total e-Insurance Policies	Total e-Insurance accounts
NSDL Database Management Limited	558,514 (45%)	555,701 (35%)
CAMS Insurance Repository Services Limited	487,777 (39%)	515,681 (32%)
KARVY Insurance Repository Limited	132,049 (11%)	174,553 (11%)
Central Insurance Repository Limited	69,135 (6%)	354,388 (22%)
Total	1,247,475 (100%)	1,600,323 (100%)
Total policies issued	514 million (approx.)	
E-insurance policies as a % of total	0.24% (approx.)	

Source: CAMS RHP, I-Sec Research

Note: For total policies – life insurance policies (Life insurance council – number of policies in force in financial year 2018) and general insurance policies (general insurance council –no. of policies issued in financial year 2018) data considered

Digital properties of CAMS

Chart 17: CAMS application and its features



Source: I-Sec Research

Leadership among digital properties – CAMS share is at 37% of digital transactions in Dec.'20 from 31% in Jan.'20

- myCAMS (investor Portal/App) transaction volume: +30% QoQ
- edge360 (Distributor Portal) transaction volume: 75% QoQ
- GoCorp share in Liquid funds: 19% in Q1 to 22% in Q3 (AAUM value).

Can CAMS monetise these B2C/B2B applications which already have a large user pool?

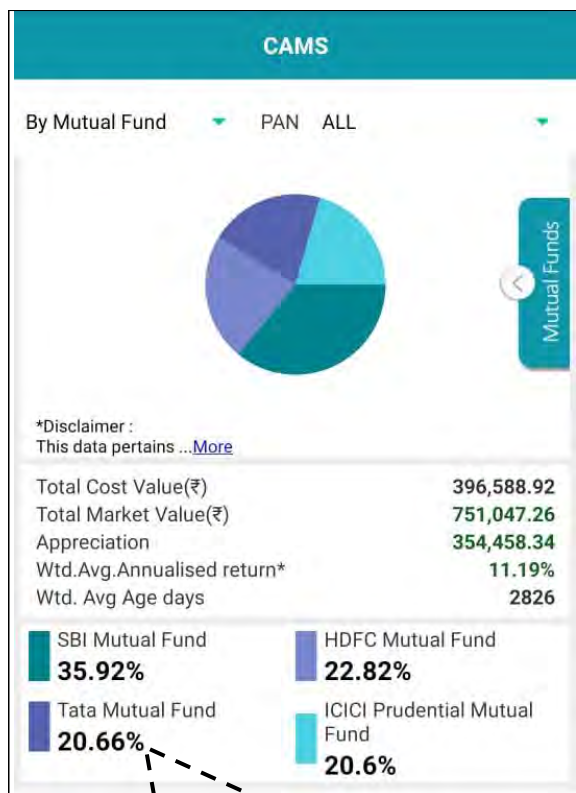
The possibility exists but CAMS is the owner of the applications and not the data. The data belongs to the principal which are AMCs, insurance companies and pension managers. As such, the monetization of these data in the current business relationship and structure is not a given.

MyCAMS

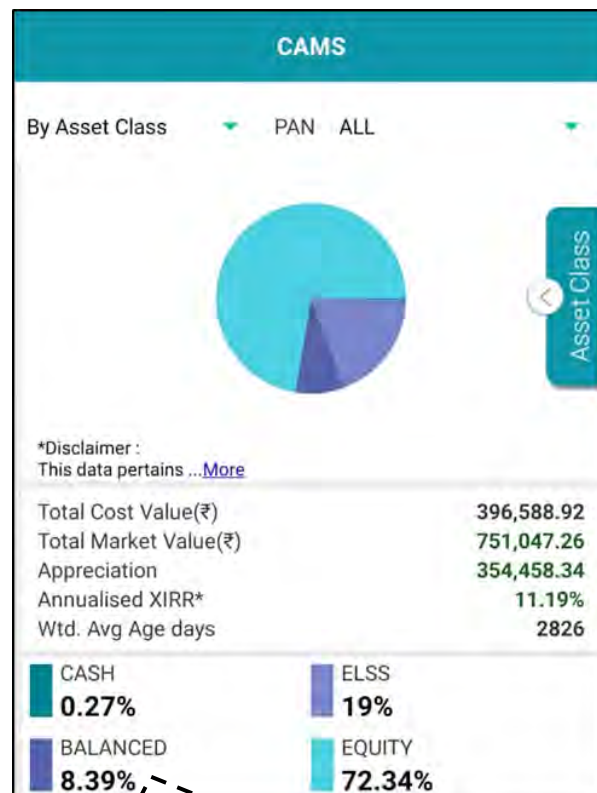
This is a B2C mobile application to facilitate retail mutual fund transactions. The application enables investors to create a new folio and works with our other applications to allow investors to immediately start making SIPs in the CAMS serviced mutual funds, of their choice.

MyCAMS helps investors to have a detailed view of investments of self / family member both on fund level and asset wise.

Chart 18: CAMS application – ‘My Investments’ page snapshot



Categorisation based on fund house



Categorisation based on asset class

Source: MyCAMS APP

Statements

Through mail back service, an investor can generate different types of statements listed below:

- Active Statement
- Consolidated Account Statements for all CAMS handled Funds
- CAS - All RTAs (CAMS, Karvy, Franklin Templeton)
- Portfolio Valuation
- Realized Gains
- Transaction details
- Single Folio
- Pay in & Pay Out
- CAN-CAMS
- Grandfathered Statements
- Exit Load
- Statement on Dividend

Chart 19: MyCAMS helps facilitate various transactions to investors at ease.

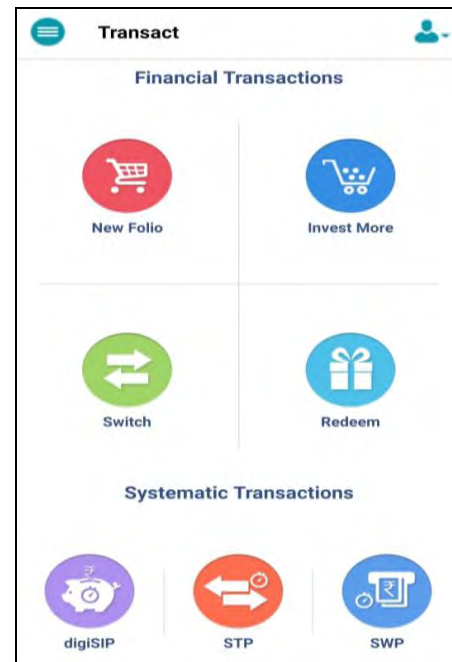
digiSIP: The application is designed for investors and distributors and has been developed to obtain minimal data input from existing investors thereby eliminating the process time required for separate mandate registration for each SIP. It helps investors and distributors in setting up multiple SIPs at one time

With MyCAMS app, one can transact seamlessly. App offers various facilities such as





- Creation of new folio
- Make an additional investment
- Switch
- Redeem

App also offers to transact on systematic transaction

- DigiSIP
- STP
- SWP



Source: MyCAMS APP

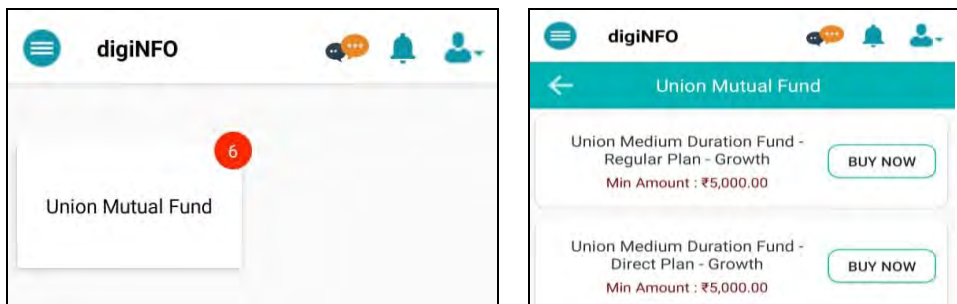
 <p>New Folio</p>	<p>First time investor into CAMS serviced funds can open a new folio and update FATCA with ease, without forms, cheques.</p>
 <p>Invest More</p>	<p>This feature enables to make additional investments. In the mode of payments, linked bank account number appears and payments can be made seamlessly.</p>
 <p>Switch Redeem</p>	<p>Switch allows an investor to easily switch between schemes of mutual funds he has invested into. If the switched is intended to be done in a new fund various options are available at the disposal. Redeem feature allows to make redemption requests at fingertip.</p>
<p>Systematic Transactions</p>  <p>digiSIP STP SWP</p>	<p>digiSIP – is intuitively designed to bring speed and ease to commencing new SIPs. It innovatively uses the power of prefilled forms in combination with electronic payment options. Also, use net banking, existing common mandate and register new eMandate to start a new SIP. One can add three schemes in one-shot under same mutual fund. STP and SWP help to simply switch and withdraw investments made under SIP.</p>

Source: MyCAMS APP

MyCAMS offers to transact in the ongoing NFOs in different mutual funds registered under CAMS

- NFO is the first time subscription offer for a new scheme launched by mutual fund companies.
- One can purchase NFO schemes directly from myCAMS app.

Chart 20: MyCAMS app – Digital NFO page snapshot



Source: I-Sec Research

MY Transactions feature

One can view the status of recent Financial Transactions, Service Requests and Pending Transactions both for 'All Funds' & 'Mutual Fund-wise'.

- Under 'All Funds', recent 15 transactions across mutual funds can be viewed.
- Under 'Mutual Fund-wise', transactions done in last three transacted days can be viewed.

Transaction summary

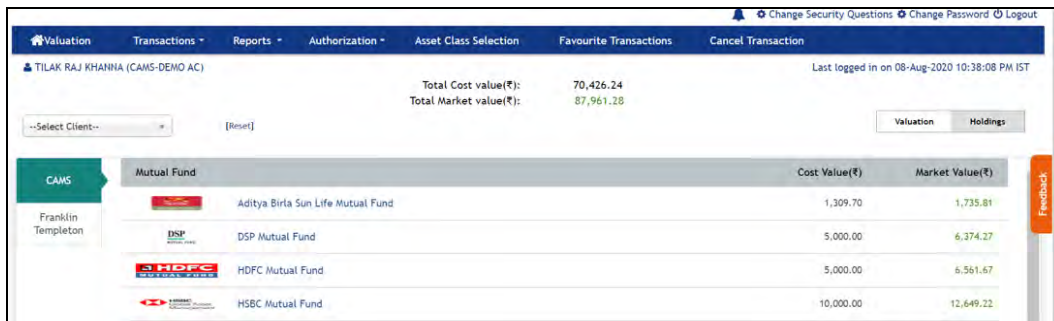
- Investor can view AMC-wise purchase, redemption & switch transaction details like Folio No., Date of transaction, Scheme code/Name, transaction description, units, amount, etc.

Filter search option based on PAN, Folio No. and Date is provided for investor convenience

GoCORP

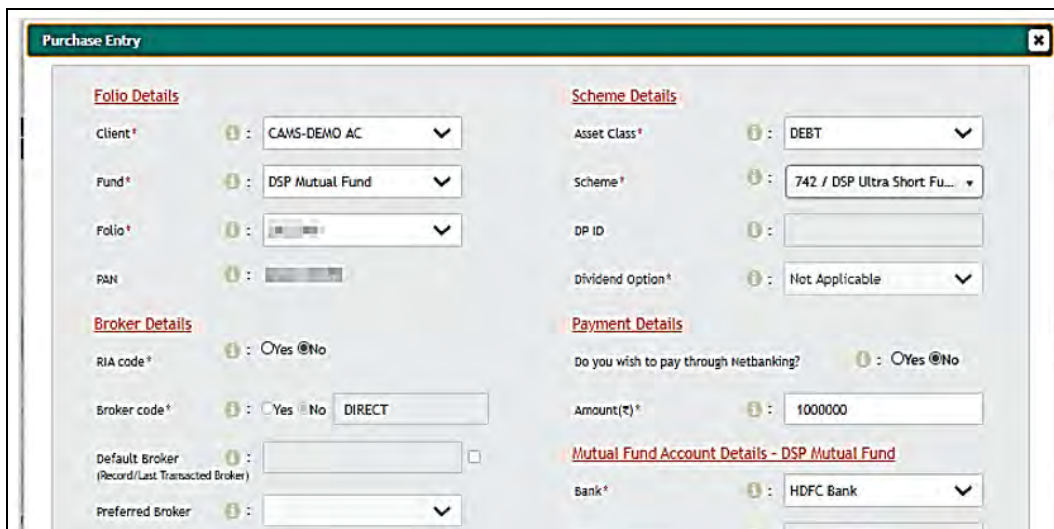
This application is a corporate investment portal designed for corporates. It provides a single gateway to transact across multiple participating mutual funds and does away with the need to complete multiple forms and transaction slips. The application allows corporates to schedule redemption transactions and allows same-day purchase and redemption transaction.

Chart 21: Go Corp - statement view



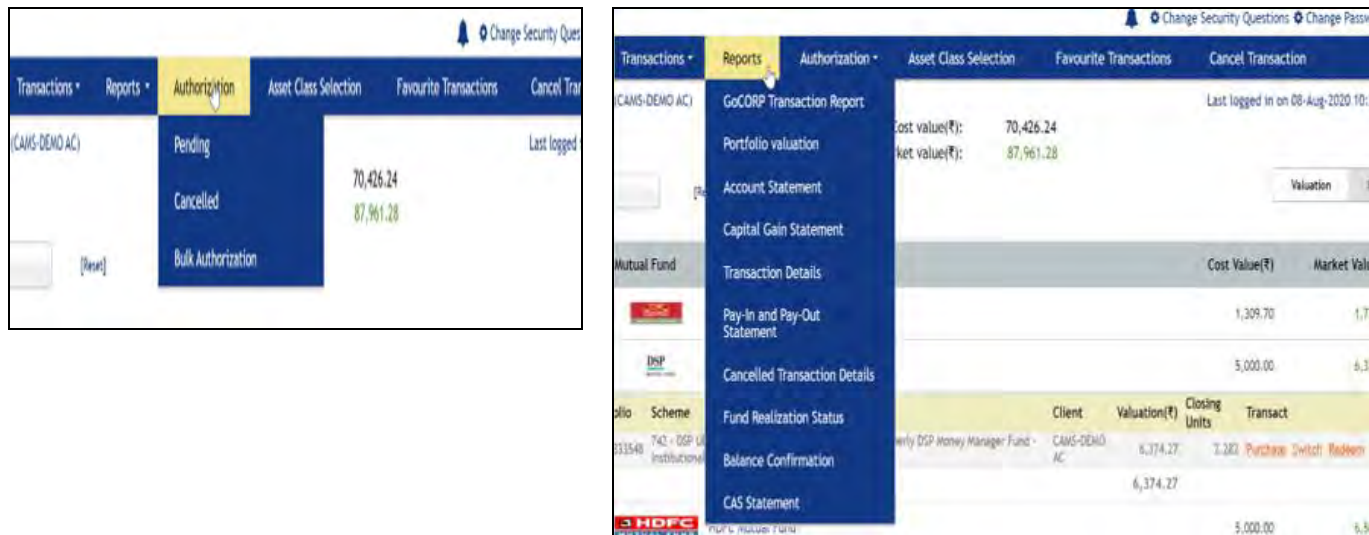
Source: MyCAMS APP

Chart 22: Go Corp – purchase entry snapshot



Source: MyCAMS APP

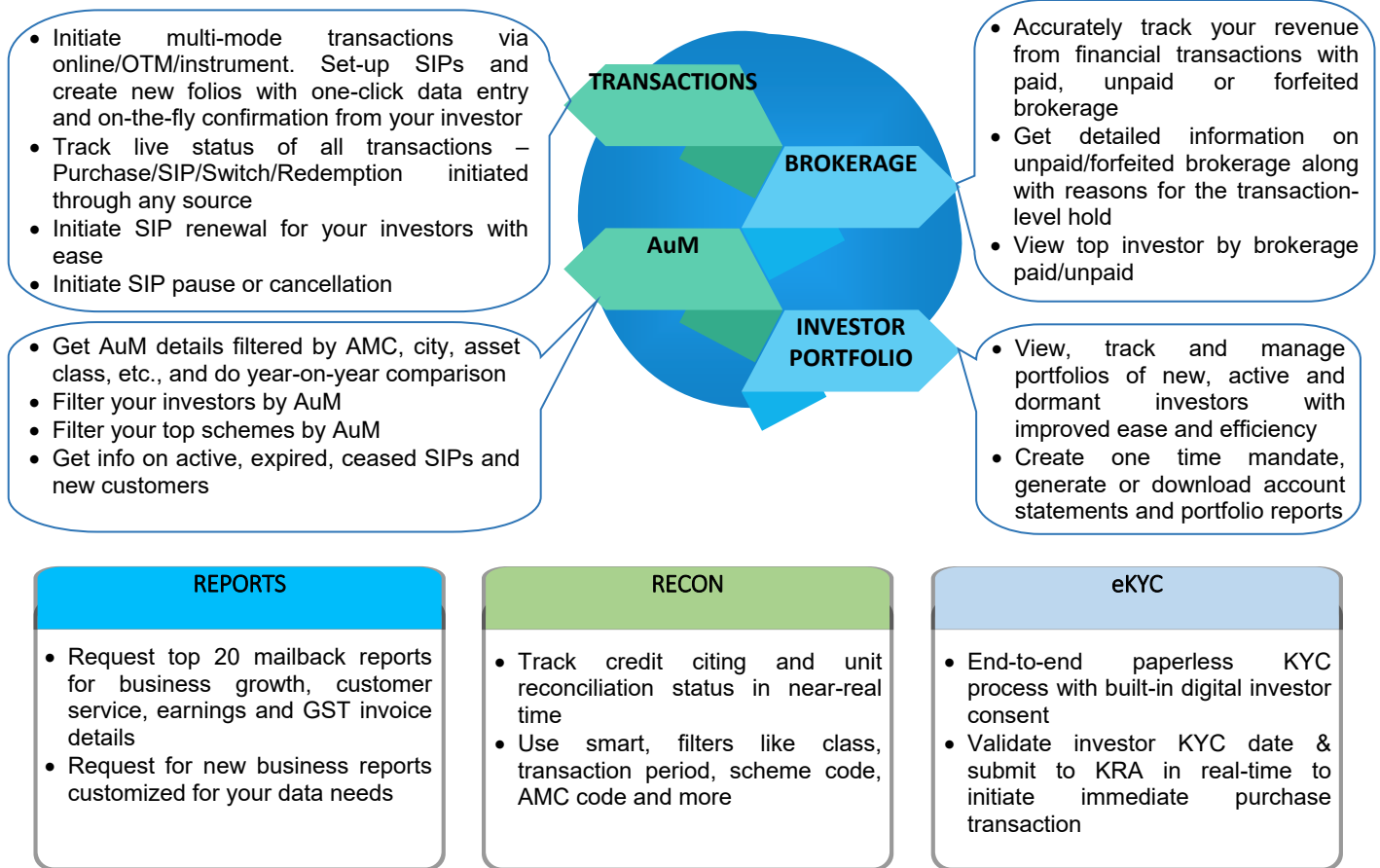
Chart 23: Go Corp – report generation and authorization



Source: MyCAMS APP

edge360

This application was developed for mutual fund distributors and advisors. It enables the tracking of brokerage for transactions, with paid or unpaid details. It provides distributors the ability to view, track and manage portfolios of new, active and dormant investors



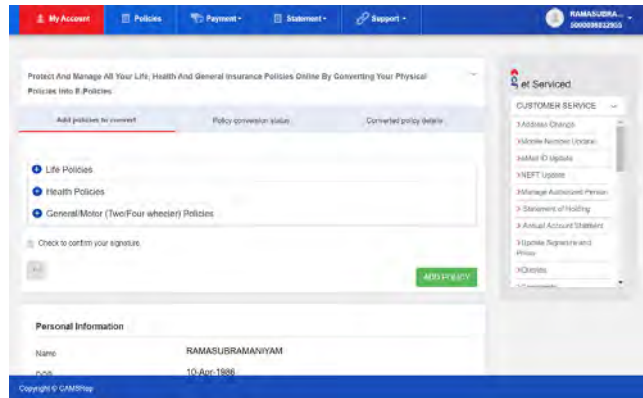
Source: I-Sec Research

CAMSRep

Chart 24: e Insurance Accounts & Policies

Customers can manage multiple policies – Life, Health, Motor (2/4-wheeler) from over 40+ Insurance companies from a single dashboard

2.8 million+
Insurance policies converted using CAMSRep across life, general and motor policies



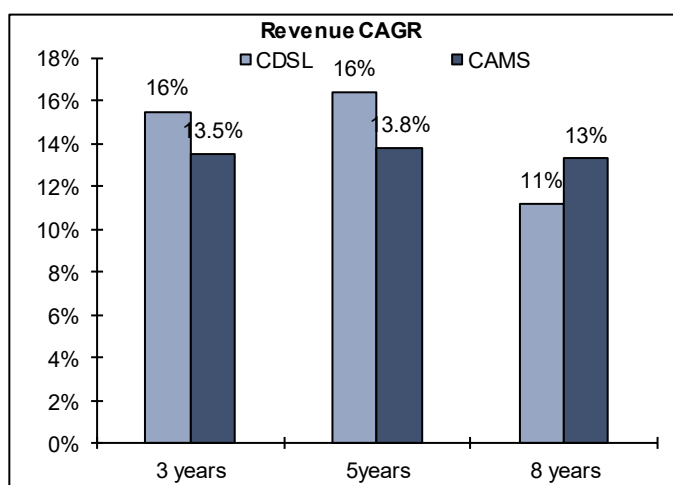
40+
Indian Insurance companies have partnered with CAMSRep for IR

Comparison with AMCs and depositories (CDSL)

CAMS vs CDSL

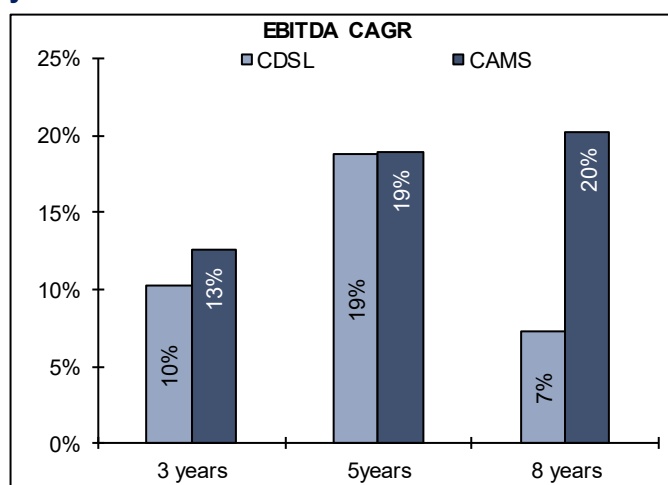
- CDSL operates in a duopoly market in which it has 50% market share, while MF RTA is two-player market in which CAMS has 72% market share as of FY20.
- CDSL earns 47% of its revenue through market linked sources (transaction charges, IPO / Corporate action, On-line data charges etc) and 53% through non market linked sources (annual issuer charges, ECAS, Evoting etc), while MF RTAs' earn more than 80% of its revenue on the basis of AUM and therefore growth is largely based on the growth of AUM.

Chart 25: Revenue CAGR



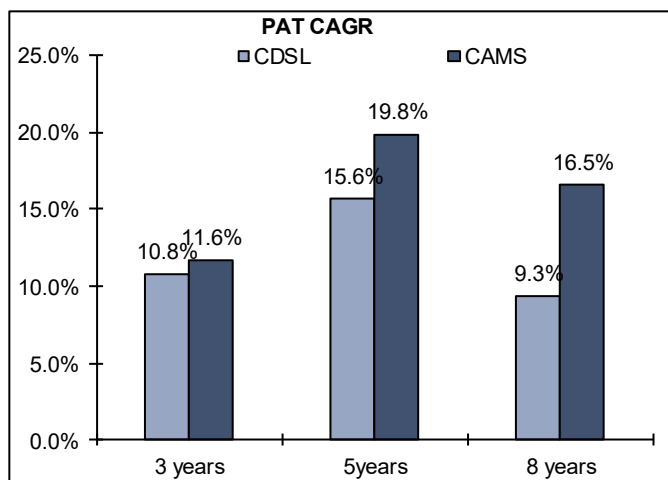
Source: Industry data, I-Sec research

Chart 26: EBITDA CAGR is comparable for last 5 years



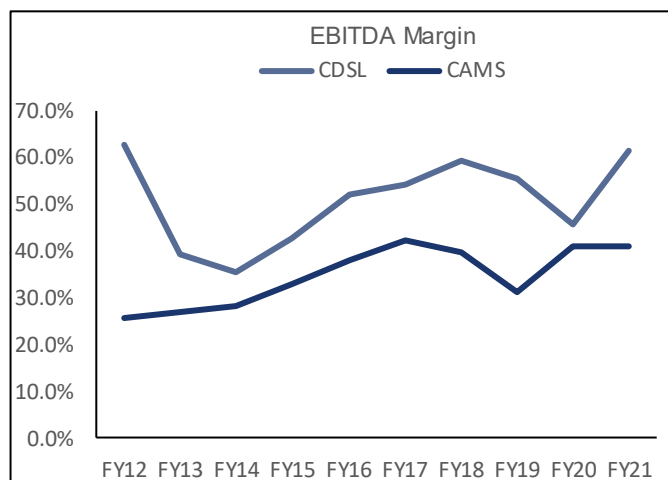
Source: Bloomberg, I-Sec research

Chart 27: PAT CAGR has been higher for CAMS



Source: Industry data, I-Sec research

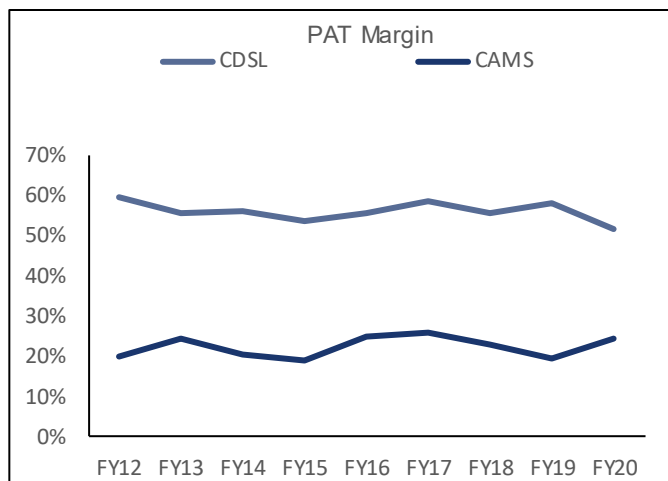
Chart 28: EBITDA margin is healthy for CDSL and CAMS; operating leverage can enable further expansion



Source: Bloomberg, I-Sec research

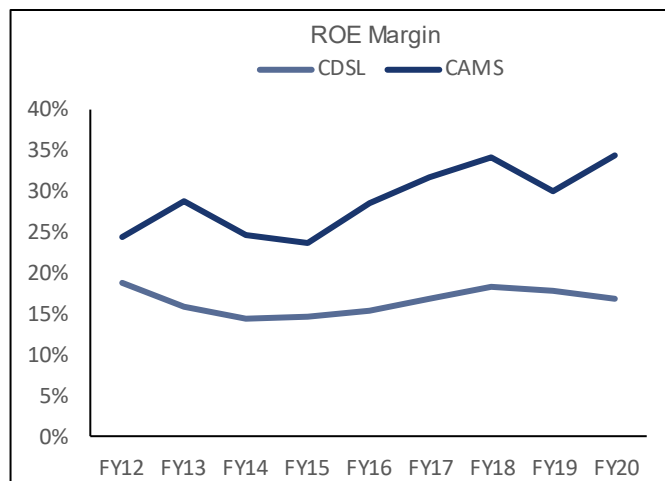
Note : FY21 is 9MFY21

Chart 29: PAT margin



Source: Industry data, I-Sec research
 Note: For CAMS, sales / EBITDA / EBITDA margins are ex recoverables.

Chart 30: RoE of CDSL is lower due to higher cash balance

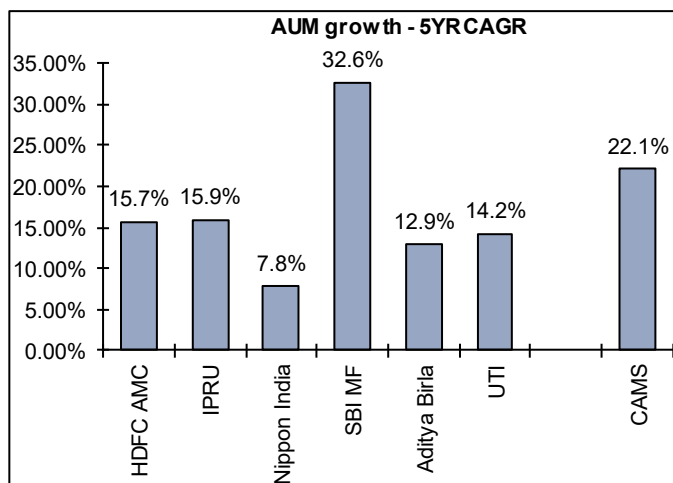


Source: Bloomberg, I-Sec research

CAMS Vs AMCs

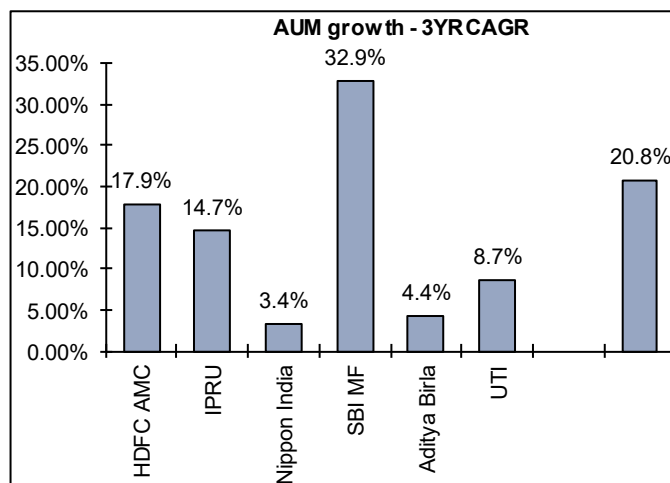
Unlike AMCs, CAMS has not seen benefits from operating leverage. However, in terms of EBITDA growth, it has outperformed select AMCs like UTI.

Chart 31: AUM growth - 5YR CAGR



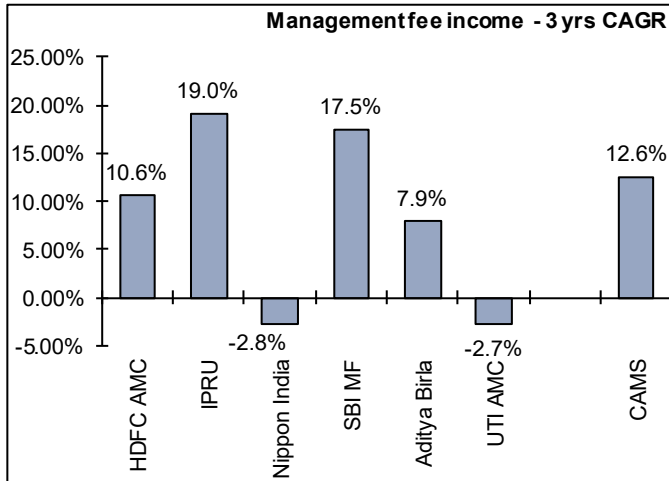
Source: Industry data, I-Sec research

Chart 32: AUM growth 3YR CAGR



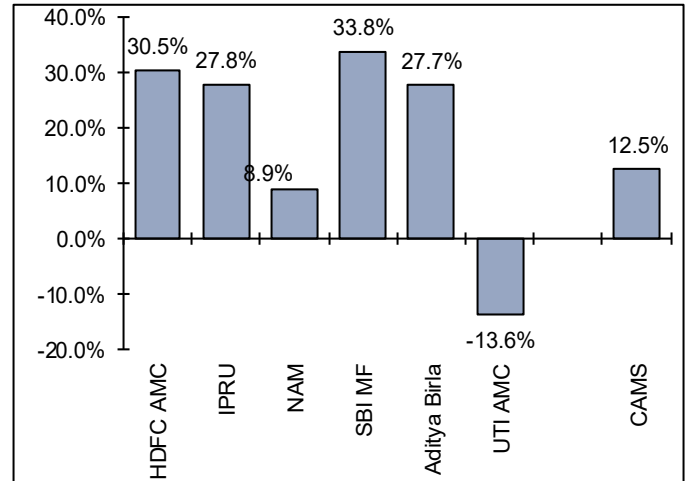
Source: Bloomberg, I-Sec research

Chart 33: Management fees 3YR CAGR



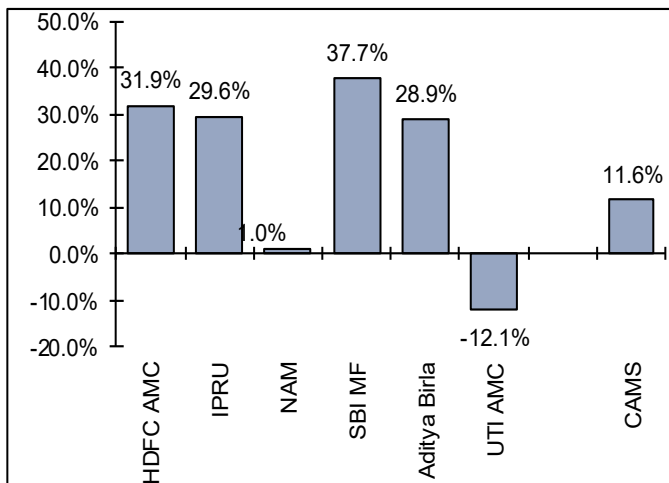
Source: Industry data, I-Sec research
MF based fees for CAM

Chart 34: EBITDA CAGR



Source: Bloomberg, I-Sec research

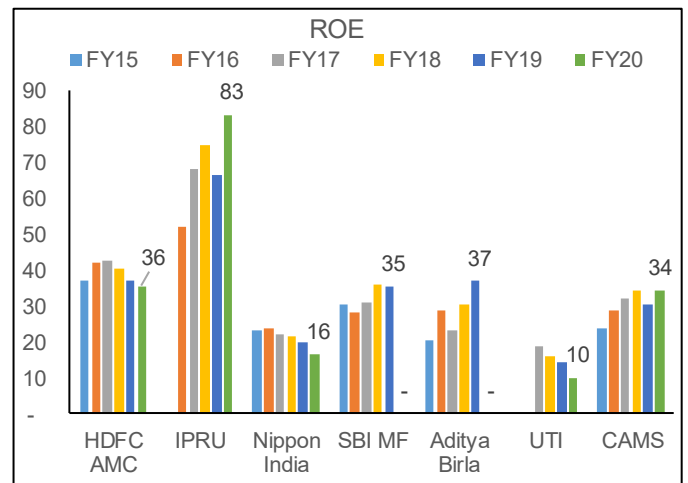
Chart 35: PAT



Source: Industry data, I-Sec research

Note: For CAMS management fee income is revenue earned on AUM and excludes other operating income.

Chart 36: RoE margin remain strong for CAMS and AMCs



Source: Bloomberg, I-Sec research

Financial analysis

Revenue

CAMS earns its revenue from two sources; MF related (Asset based + Paper transaction) and Non MF based (recoverable, miscellaneous services and software license fees).

MF related expenses are the data processing charges charged by CAMS on AAUM serviced. Charges vary for equity and non-equity based AUM. This revenue stream includes fees received from MFs, insurance companies (for repository services), banking and non-banking services, services to AIFs and KYC registration agency business.

Customer care services / paper transaction charges is fee charged by CAMS based on paper volumes and NACH volumes. This is very low margin business.

Recoverable comprises of out of pocket expenses incurred on behalf of mutual fund, alternative investment fund, insurance clients, banking and non-banking financial services companies and KYC details obtained from other KRAs. This is also a low margin business

Miscellaneous service comprises revenue from call centre services and fees for applications made available to clients

Software license fee, development and support services comprises fee earned by its Subsidiary 'SSPL' for providing services to external clients.

Nearly 88% of CAMS' FY20 operating revenue was generated through a percentage fee of AUM of client MFs, it has grown its topline by 13.5% CAGR from FY17 to FY20 driven by 13% CAGR in Indian MF AUM during the same period.

In Q3FY21, AUM serviced by CAMS stood at Rs20.8trn, up 11.6% YoY vs industry AUM growth of 11%. Growth was largely driven by non-equity AUM. CAMS' market share in Q2FY21 stood at 69.5%.

Deterioration in mix impacted the overall revenue growth in Q2FY21. Valuation gains were offset by outflows of equity flows.

Table 13: FY20 revenue mix

	FY20	Sales Mix
Asset based	5,534	79%
Non asset based (paper transaction)	625	9%
Total MF related	6,159	88%
Non MF based		
Recoverables	363	5%
Miscellaneous services	388	6%
Software license fee, development & support services	86	1%
Total Non MF based	837	12%
Total	6,996	100%

Source: I-Sec research

Note: Blue highlighted region indicates split as per industry

Asset based revenue includes income from AIF, Insurance, banking, KRA etc

Costs structure

Table 14: Cost break analysis

	Rs mn			% of revenue		
	FY18	FY19	FY20	FY18	FY19	FY20
Employee costs	2,263	2,746	2,580	35%	40%	37%
Operating expenses						
Service expenses	417	496	369	6%	7%	5%
Data entry charges	156	111	65	2%	2%	1%
Customer Service Centre Charges	127	149	130	2%	2%	2%
Claims	137	157	137	2%	2%	2%
Software expenses	104	146	165	2%	2%	2%
Total	941	1,058	866	15%	15%	12%
Other expenses						
Power and fuel	76	90	86	1%	1%	1%
Lease rent	6	6	10	0%	0%	0%
Repairs and Maintenance	106	120	148	2%	2%	2%
Insurance	15	19	19	0%	0%	0%
Rates and taxes	2	3	2	0%	0%	0%
Communication	129	157	153	2%	2%	2%
Travelling and conveyance	110	83	67	2%	1%	1%
Printing and stationery	32	26	20	1%	0%	0%
Business promotion	18	16	15	0%	0%	0%
Expenditure on Corporate Social Responsibility	29	37	43	0%	1%	1%
Legal and professional	107	105	93	2%	2%	1%
Director's Sitting Fees	5	5	5	0%	0%	0%
Miscellaneous expenses	-9	29	14	0%	0%	0%
Total	627	696	678	10%	10%	10%

Source: Company, I-Sec Research

Balance sheet highlights

Table 15: Movement of claims

Rs mn	FY17	FY18	FY19	FY20
Claims payable (Shown under trade payable)(B/S)	28	27	22	44
Claim provision (Non-current liabilities) (B/S)	409	536	673	687
Claims expensed out	118	137	157	137

Source: Company, I-Sec Research

Table 16: Movement of trade payables and other current liabilities

Rs mn	FY17	FY18	FY19	FY20
Trade Payables	281	336	359	360
Current Liabilities	140	349	530	656
Total	421	685	889	1,016

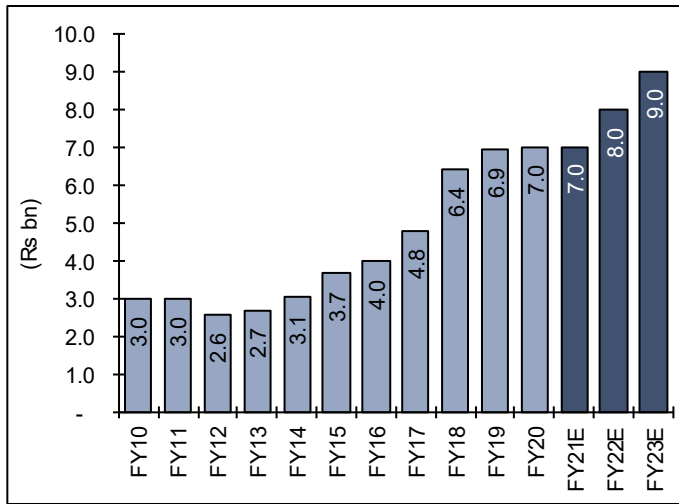
Source: Company, I-Sec Research

Table 17: Movement in cash and investments

Rs mn	FY17	FY18	FY19	FY20
Cash + Investments	2,355	2,438	2,740	3,561

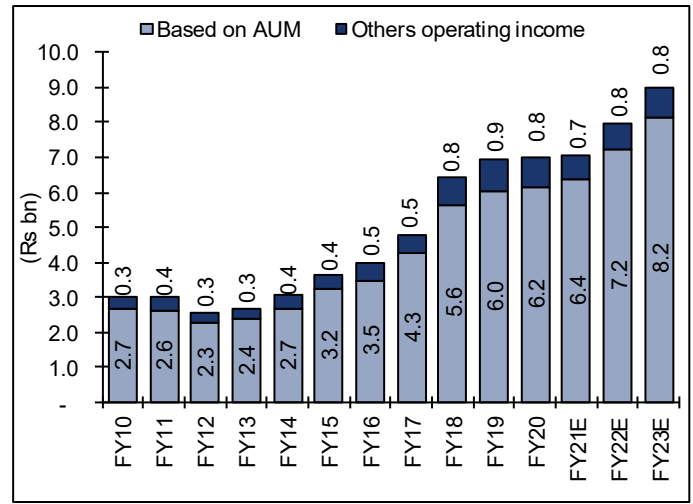
Source: Company, I-Sec Research

Chart 37: CAMS' revenue is expected to grow at 9% CAGR between FY20-FY23E



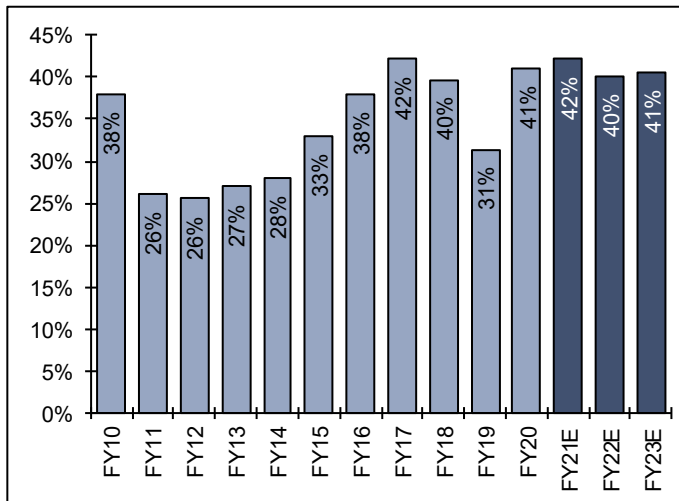
Source: Industry data, I-Sec research

Chart 38: CAMS' revenue breakup



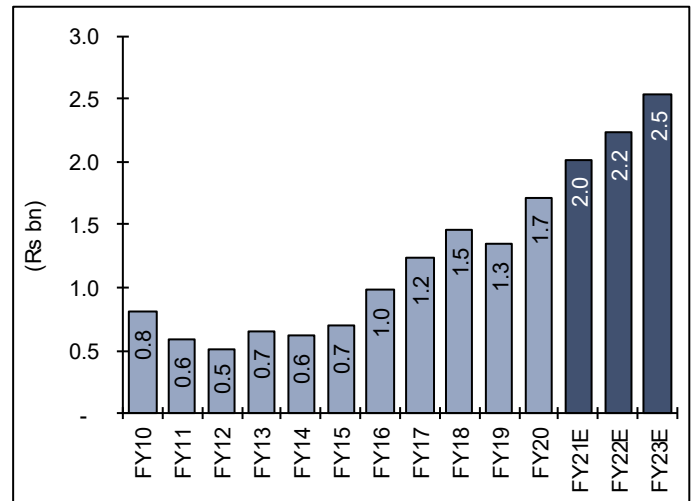
Source: Bloomberg, I-Sec research

Chart 39: CAMS' EBITDA margin is expected to remain healthy at +40% level between FY20-23



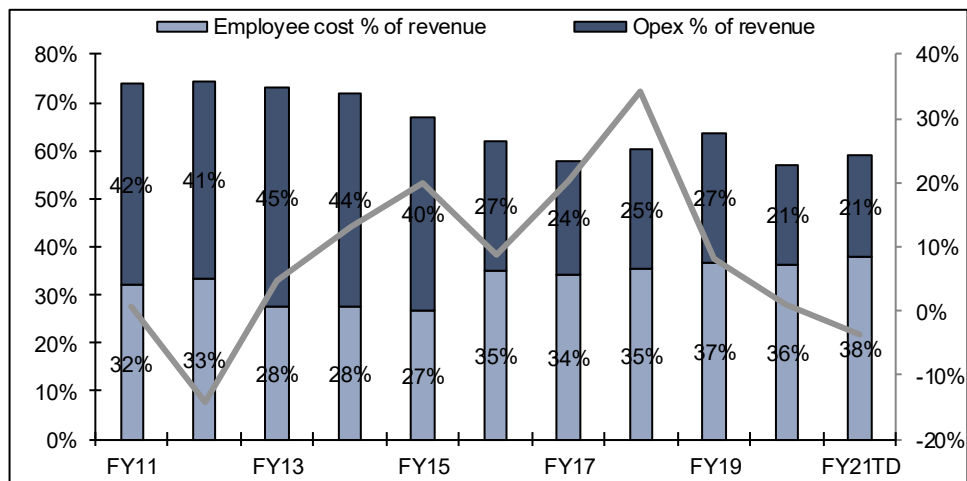
Source: Industry data, I-Sec research

Chart 40: Driven by lower taxes and better margins, PAT is expected to grow at 14% CAGR between FY20-23



Source: Bloomberg, I-Sec research

Chart 41: CAMS has seen limited operating leverage benefits due to higher employee cost component. 9MFY21TD margin is high due to lower mix of low margin business (paper transaction)



Source: Company

Assumptions

Table 18: Assumption

	FY21	FY22	FY23	Growth / chg in bps	
				FY22	FY23
Industry AUM (Rs tn)					
Closing AUM	30.9	34.7	40.5	12%	17%
Average AUM	28.8	32.8	37.6	14%	15%
CAMS Market share	70.0%	73.5%	73.5%	350.0	-0.0
Realisations (% on managed AUM)	0.0272%	0.0259%	0.0255%	-13.6	-3.1
EBITDA Margin	42.1%	40.2%	40.6%	-199.25	40.68
Other Income yield	8.1%	7.6%	7.5%	-44.04	-6.52
Cash + investments (Rs mn)	4,390	5,467	6,291	24.6%	15%
Dividend Payout ratio	123%	65%	65%		
Employee expenses/Sales	36.4%	37.8%	37.4%	139.5	-37.6
Opex & Other exps /Sales	21.5%	22.1%	22.0%	59.7	-3.1
Operating Income (Sales)	7,032	7,992	9,000	14%	13%
EBITDA	2,964	3,209	3,650	8%	14%
PAT	2,020	2,227	2,541	10%	14%

Source: Company, I-Sec research

Valuations

Through strong, longstanding integration with client MFs and widespread distribution infrastructure / technological expertise, CAMS enjoys strong business moat with healthy financials (5-year average RoE at 32% / 5-year average dividend payout at 60%). As business limitations, the earnings growth will likely remain capped to the AUM growth while monetisation of new initiatives will remain constrained in medium term. Based on 14% earnings CAGR between FY20-23E, we initiate coverage on CAMS with a ADD rating and target price of Rs2,085 based on 40x FY23E EPS of Rs52

Table 19: Peers valuations

	PE (x)		
	FY21E	FY22E	FY23E
HDFC Asset management Co	46.2	40.7	35.5
Nippon Life Asset management Co	30.3	36.0	28.6
UTI Asset management Co	13.9	19.8	17.7
Multi commodity exchange Ltd	32.5	29.1	25.2
CAMS	46.2	41.9	36.7

Source: I-Sec research

Table 20: Peer comparison

Company	CAMS	Sundaram BNP Paribas	Karvy (Nov'18-Mar'19)	Karvy computer share (Apr'18- Nov'18)
Revenue (Rs Cr)	6,936	34	1,624	2,788
CAGR growth in revenues (fiscal 2016-2019)	20.40%	8.70%		NA
PAT margin	19.00%	-24.60%	5.70%	16.90%
EBITDA margin	31.3%	-12.20%	38.80%	28.20%
RoE	29.50%	-34.80%	4.80%	27.00%
Aggregate AUM (Rs Cr) managed by fund houses serviced	1,60,838	376		6,36,964
AUM CAGR % (fiscal 2015-2019)	22.80%	10.40%		13.80%
No of clients (Top 10)	6	Nil		3
No of clients (Top 5)	4	Nil		1
No of branches	285	141		221

Source: I-Sec research

Risk factors

- Future revenue and profit are largely dependent on growth, value and composition of AAUM of mutual funds managed by clients, which may decline.
- Significant disruptions in information technology systems or breaches of data security could adversely affect business and reputation.
- New laws or regulations or changes to existing laws or regulations could affect clients and, in turn, adversely affect business and results of operations.
- CAMS derives a significant portion of its revenues from a few clients and the loss of one or more such clients could adversely affect business and prospects.
- Appointment of CERSAI as central KYC registration agency may have a significant impact on the business prospects and results of operations of subsidiary, CAMS Investor Services.
- IRDAI has advised all insurance companies on issuance of digital insurance via digiLocker. Digilocker team in NeGD (National e-Governance Division) under Ministry of Electronics and Information Technology shall provide necessary technical guidance and logistic support to facilitate adoption of Digilocker.
- **There are liability provisions in contracts with clients**
 - The aggregate cumulative financial liability under some of these contracts ranges between 25% and 100% of the fees received by the company from the client for a particular transaction or 12 months preceding the month in which such claim is made, as the case may be. However, in the event of certain breaches, there is no limit on the liability that could incur under these contracts. Also, one of the contracts with a mutual fund client does not have a cap on liability.

Management profile

Table 21: Management profile

Person	Designation	Profile
Anuj Kumar	Whole time Director and the CEO	Earlier, Mr V Shanker (founder) was associated with the company as its CEO till 2010. Mr Shanker was succeeded by Mr NK Prasad, who was later succeeded by Mr Anuj Kumar. Mr Anuj Kumar, holds a bachelor's degree in engineering (mechanical) from Birla Institute of Technology, a post-graduate diploma in management from the Indian Institute of Management Calcutta. He was previously associated with Godrej & Boyce Mfg. Co. Ltd., Blow Plast Limited, Escorts Finance Limited, Bill Junction Payments Limited, IBM India Private Limited and Concentrix Daksh Services India Private Limited.
Somasundaram M.	Chief Financial Officer	He holds a bachelor's degree in commerce from the University of Madras. He has passed the final examination held by the Institute of Cost and Works Accountants of India and the final examination held by the Institute of Company Secretaries of India. He has previously been associated with SRF Limited, Henkel SPIC India Ltd., Pond's India Limited, Hindustan Lever Limited and TVS Electronics Limited. He joined the company on July 6, 2009 as a general manager and was promoted to Chief Financial Officer with effect from April 1, 2018. He received an aggregate compensation of Rs11.47mn in FY19.
S.R. Ram Charan	Chief Financial Officer – Designate	He holds a bachelor's degree in commerce from the University of Madras, Faculty of Commerce. He is an associate member of the Institute of Chartered Accountants of India. He has been previously associated with Photon Interactive Private Limited and Reliance Jio Infocomm Ltd. He joined the company on March 2, 2020. He received an aggregate compensation of `Rs1.01mn in FY20.
Ravi Kethana	Chief Platform Officer	He holds a bachelor's degree in technology (electronics and communication engineering) from the Jawaharlal Nehru Technological University and a masters degree in technology (electronics) from Banaras Hindu University. He has previously been associated with Tata Consultancy Services Limited and Wipro Limited. He joined Company as the Chief Platform Officer on December 10, 2019
N. Ravi Kiran	Head – New Businesses	He holds a bachelor's degree in science from Bangalore University, a postgraduate diploma in business administration (general) from St. Joseph's College of Business Administration Bangalore, and a diploma in management from Indira Gandhi National Open University. He is also certified as a Stanford Certified Project Manager by the Stanford Center for Professional Development. He has previously been associated with Bangalore Business to Business (Eastern Circle Yellow Pages Pvt. Ltd.), Dharma Software Solutions Pvt. Ltd., VeriFone India Limited, Reliance Systems Private Limited, Venture Infotek Global Private Limited, Wipro Technologies (a division of Wipro Ltd.), Amansa Capital Pte Ltd and Value Labs LLP. He is also a director on the board of directors of CFISPL and CIRSL. He joined Company on April 3, 2017 as Head – New Businesses. He received an aggregate compensation of Rs12.8mn in FY19.
Vasanth Jeyapaul Emmanuel	senior vice president	He holds a bachelor's degree in science (chemistry) and a masters degree in business administration from Madurai Kamaraj University. He has participated in the accelerated development program at the Chicago Booth School of Business at the University of Chicago. He has previously been associated with Bennett, Coleman & Co. Ltd., Agenda Netmarketing Ltd. and Financial Software & Systems (P) Ltd. He joined Company on October 14, 2017 as senior vice president. He received an aggregate compensation of Rs8.82mn in FY19.
Abhishek Mishra	Chief executive officer – insurance of CIRSL	He holds a postgraduate diploma in management from Indian Institute of Management Society, Lucknow. He is an associate of the Institution of Engineers (India). He has previously been associated with the Indian Railway Service of Mechanical Engineers, A.F. Ferguson & Co. (Management Consultancy Division), HCL Perot Systems, GE Capital International Services, Washington Mutual Bank, Accenture Services Private Limited and ISG NovaSoft Technologies Limited. He joined the company on December 2, 2014 as senior vice president and was appointed as the chief executive officer – insurance of CIRSL on August 14, 2019.

Source: I-Sec research

Note: Srikanth Tanikella COO resigned in Jan'21. He will continue office till 31st May'21.

Asset servicing peers

Global Case studies of Asset Service providers

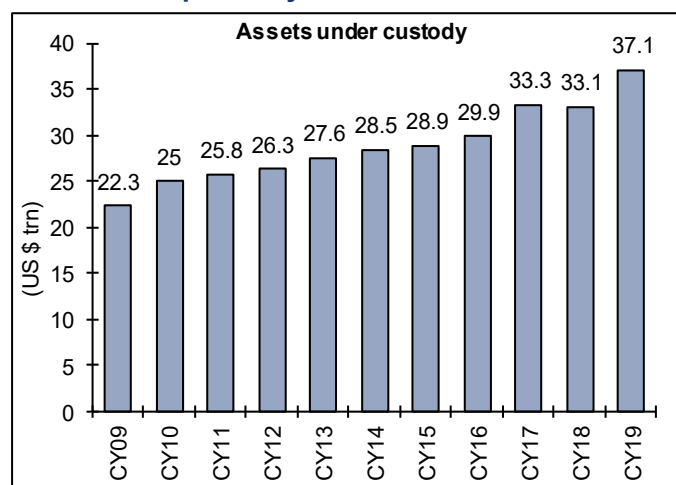
BNY Mellon and State Street are among the prominent asset service providers globally. Their financials indicate steady increase in asset under custody (AUC) over long periods with yields which have moderated with growth in AUC.

BNY Mellon

BNY Mellon is a global investment services company involved in management and servicing of financial assets throughout the investment lifecycle. BNY Mellon is the largest global custody bank in the world, with around US\$38.6trn in under custody and administration (as of Sept. 30, 2020), and can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investment.

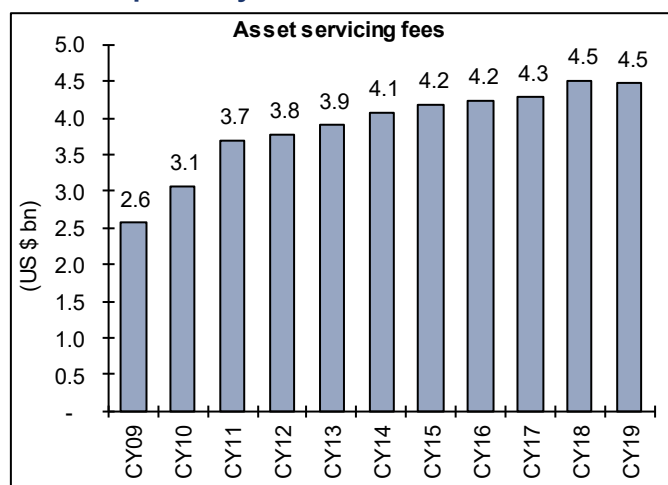
BNY offers asset servicing along with investment management business.

Chart 42: Asset under custody (AUC) has risen 5% CAGR in past 10 years



Source: Industry data, I-Sec research

Chart 43: Asset servicing fees has grown at 6% CAGR in past 10 years



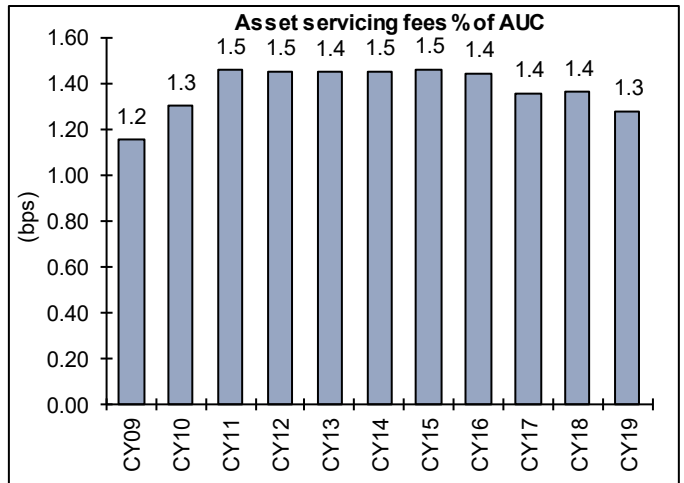
Source: Bloomberg, I-Sec research

Chart 44: Total investment servicing revenue has grown at 6% CAGR in past 10 years



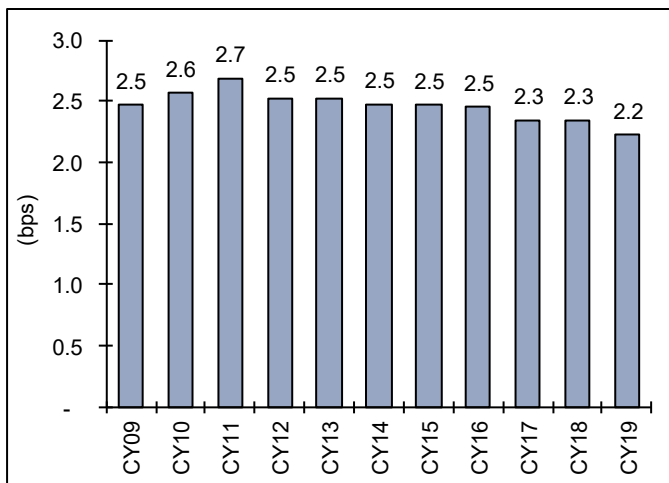
Source: Industry data, I-Sec research; *Investment servicing include asset management fees, clearing, issuer and treasury service fees

Chart 45: Asset serving fees for BNY Mellon has largely been stable...



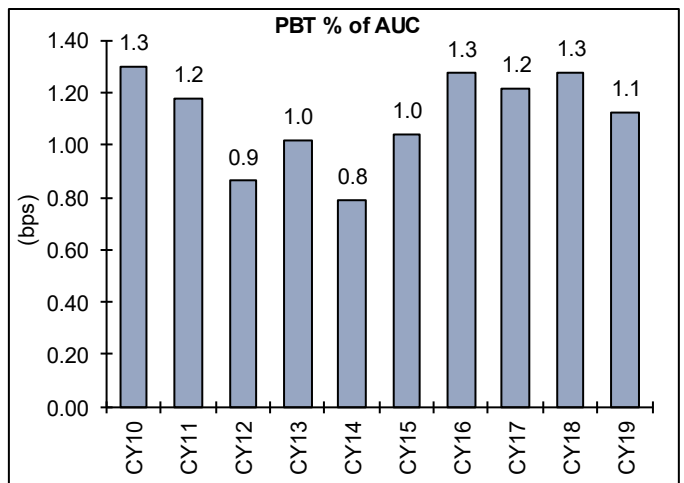
Source: Bloomberg, I-Sec research

Chart 46: ...so has been total investment services revenue % of AUC



Source: Industry data, I-Sec research

Chart 47: PBT (investor servicing segment) % of AUC is ~ 1-1.3%, except in CY12 and CY14

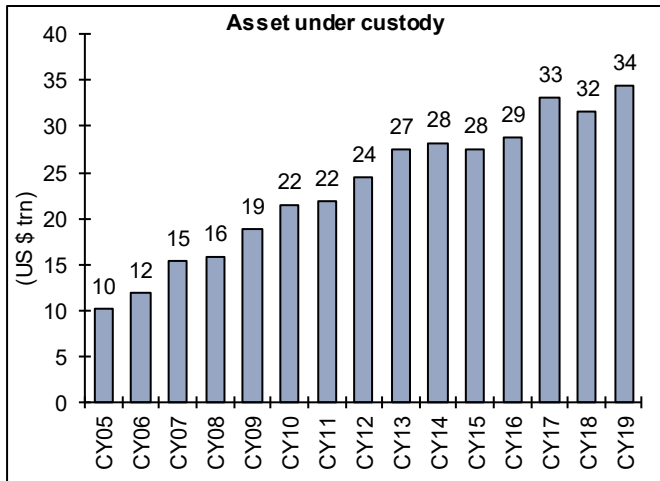


Source: Bloomberg, I-Sec research

State Street

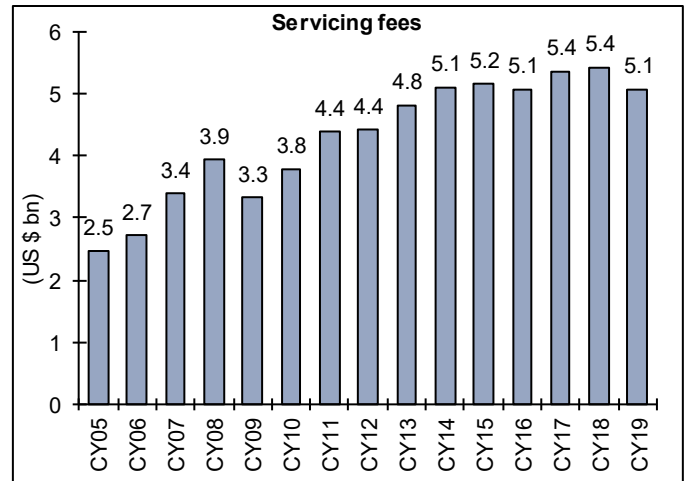
State Street is the second largest global custody bank in the world with around US\$36.6trn in under custody and administration (as of Sept. 30, 2020). State Street provides services like transaction processing and settlement, safekeeping, network management and information services, account opening services, corporate action services, income collection services and other management services.

Chart 48: AUC has risen 7% CAGR in past 10 years



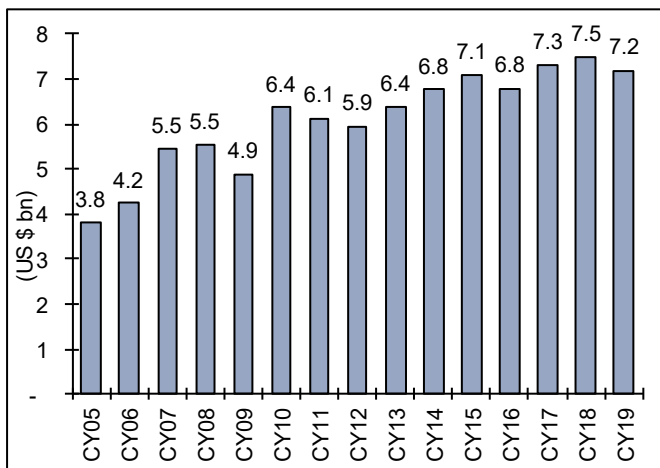
Source: Industry data, I-Sec research

Chart 49: Asset servicing fees has grown at 4.3% CAGR in past 10 years



Source: Bloomberg, I-Sec research

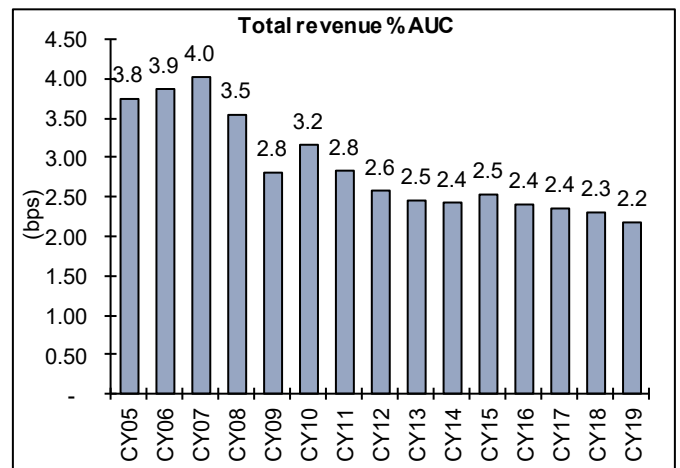
Chart 50: Total investment servicing revenue has grown at 4% CAGR in past 10 years



Source: Industry data, I-Sec research;

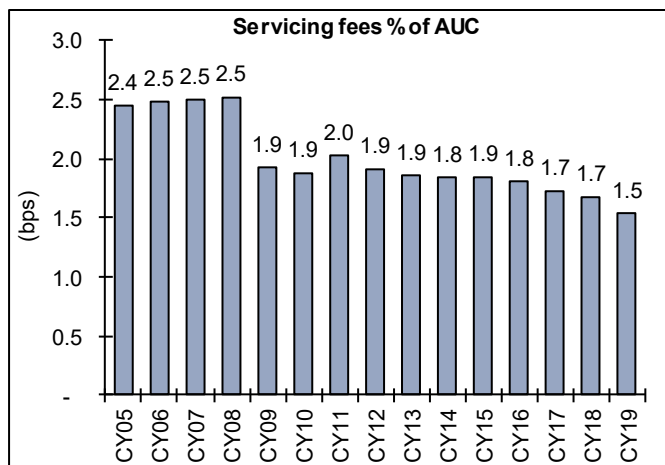
Note: Total investment servicing fees includes servicing fees, Foreign exchange trading services, securities finance and software processing fees

Chart 51: Total investment servicing revenue % of AUC has declined from ~4bps to 2.2bps ...



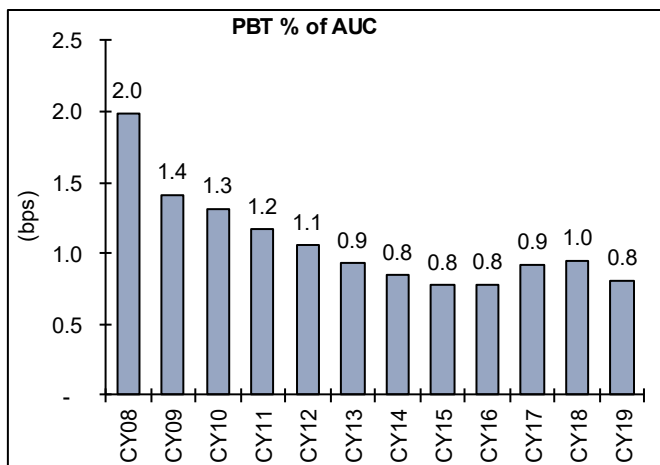
Source: Bloomberg, I-Sec research

Chart 52: ...asset services fee has seen a similar trend



Source: Industry data, I-Sec research

Chart 53: PBT of investment servicing segment % AUC has remained around 0.8%



Source: Bloomberg, I-Sec research

Asset servicing industry has undergone several M&As

Table 22: Key acquisitions details

Acquirer	Target	Deal value (US\$ mn)	AUA (Rs bn)	Month-Year
SANNE	Private Equity Administrators (PEA)	37	27	Oct-20
JTC	NES	40 (+116mn earnout)	130	Apr-20
SANNE	Inbhear Fund Service Ltd	18	338	Jan-20
Intertrust	Viteos	330	na	
SS&C	Eze Software	1450	1400	Jun-19
State Street	Charles River Development	2600	33900	Jul-18
SS&C	DST	5400	1400	Jan-18
SS&C	Citigroup's Alternative Investor Services	425	1000	Aug-15
State street	Goldman Sachs Administration Services	550	29830	Jul-12

Source: Bloomberg, I-Sec research

KFin Tech (KFin)

KFin forayed into the mutual fund servicing business in 1994. KFin entered into strategic alliance with Fintech, Australia, and formed KFintech Pvt. Ltd. KFin has been servicing 25 of the 42 total MFs accounting for 28% of total industry AUM. Top AMC serviced by KFin tech are Nippon (Rs2.3trn), Axis MF (Rs1.95trn) and UTI MF (Rs1.79trn).

General Atlantic (GA) had invested ~Rs10bn to acquire majority stake. As of Oct'19, GA held 83% stake in the company. Company's board had approved a buyback of shares at Rs74.25 in Oct'19. Buyback size was Rs1.1bn (9-10% of the equity) of which GA sold shares worth Rs0.9bn. Sundaram BNP Paribus RTA business merged with Karvy in Oct'19. In Jun'20, KFin appointed Mr Sreekanth Nadella as CEO of the company.

Table 23: K-Fin Tech - P/L (margin remains ~35-40%)

Revenue (Rs mn)	Mar-19	Mar-20
Registry Services	1,503	4,123
Data processing charges	117	362
Pension fund charges	4	14
Total	1,624	4,499
Expenses		
Employee costs	652	1,940
Other expenses	355	973
Total Expenses	1,008	2,912
EBITDA	617	1,586
Margin	38%	35%
Depreciation	303	922
EBIT	313	664
Other income	23	54
Fin cost	191	533
PBT	146	185
Tax	52	140
PAT	94	45

Source: Industry data, I-Sec research

Table 24: K-Fin Tech – B/S

Balance sheet (Rs mn)	Mar-19	Mar-20
Sources of funds		
Share-holders funds	5,197	4,096
(i) Borrowings	3,729	3,433
(ii) Lease liabilities		282
Provisions	45	52
Non-Current Liabilities and Provisions	3,773	3,766
Current Liabilities	989	849
Total	9,959	8,711
Application of funds		
Net block	386	346
Right to use	-	365
Goodwill	6,572	5,915
Other non-current assets	347	726
Total	7,305	7,352
Current assets		
Investments	1115.4	135.4
Cash	226.7	116.6
Other current assets	1311.4	1107.1
Total	2653.5	1359.1
Total	9,959	8,711

Source: Industry data, I-Sec research

Financial summary (consolidated)

Table 25: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Operating Income (Sales)	4,783	6,415	6,936	6,996	7,032	7,992	9,000
Operating Expenses	2,769	3,867	4,758	4,126	4,069	4,783	5,350
EBITDA	2,014	2,548	2,178	2,871	2,964	3,209	3,650
% margins	42.1	39.7	31.4	41.0	42.1	40.2	40.6
Depreciation & Amortisation	306	402	284	513	500	522	610
Gross Interest	60.3	78.9	2.8	99.5	83.0	84.7	86.4
Other Income	243	199	181	210	320	375	444
Recurring PBT	1,892	2,266	2,071	2,468	2,701	2,977	3,397
Add: Extraordinaries	-	-	-	-	-	-	-
Less: Taxes	650	803	721	749	681	750	856
- Current tax	670	851	764	654	0	0	0
- MAT credit entitlement	-16	-6	-23	34	0	0	0
- Deferred tax	-4	-42	-21	61	0	0	0
Less: Minority Interest	7	4	5.28	0.72	0.00	0.00	0.00
Net Income (Reported)	1,235	1,460	1,345	1,718	2,020	2,227	2,541
Recurring Net Income	1,235	1,460	1,567	1,718	2,020	2,227	2,541

Source: Company data, I-Sec research

Table 26: Balance sheet

(Rs mn, year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Assets							
Total Current Assets	804	1,230	1,521	1,768	3,101	3,905	4,429
of which cash & cash eqv.	153	277	435	505	1,676	2,482	3,008
Total Current Liabilities & Provisions	520	776	1,079	1,120	2,207	2,163	2,120
Net Current Assets	284	454	442	648	894	1,742	2,309
Investments							
Strategic/Group	21	20	20	5	5	5	5
Other Marketable	2,202	2,161	2,305	3,056	2,714	2,985	3,283
Net Fixed Assets	1,290	1,900	893	1,754	1,403	1,028	1,018
of which intangibles	1,383	1,466	1,518	1,336	1,336	1,336	1,336
Capital Work-in-Progress	-	-	-	-	-	-	-
Goodwill	1,336	1,336	1,336	1,336	1,336	1,336	1,336
Other Assets	196	332	317	184	188	185	182
Total Assets	5,328	6,202	5,313	6,984	6,539	7,280	8,134
Liabilities							
Borrowings	-	-	-	-	-	-	-
Minority Interest	81	77	83	-	-	-	-
Equity Share Capital	487.6	487.6	487.6	487.6	487.6	487.6	487.6
Reserves & Surplus*	3,639	3,948	4,030	5,001	4,529	5,308	6,198
Net Worth	4,127	4,435	4,517	5,489	5,017	5,796	6,685
Other Liabilities	1,120	1,690	713	1,495	1,522	1,484	1,448
Total Liabilities	5,328	6,202	5,313	6,984	6,539	7,280	8,134

Source: Company data, I-Sec research

Table 27: Cashflow statement*(Rs mn, year ending Mar 31)*

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Operating Cashflow	1,671	1,423	2,935	2,603	2,833	3,238	3,606
Working Capital Changes	-49	197	-946	925	-42	-42	-43
Taxes paid	-	-	-	-	-	-	-
Capital Commitments	-976	-349	-150	-148	-147	-600	-600
Free Cashflow	1,622	1,620	1,989	3,528	2,792	3,195	3,563
Cashflow from Investing Activities	-777	-325	-838	194	-418	-898	-1,093
Dividend paid	-1,164	-1,321	-716	-2,492	-1,448	-1,652	-1,855
Extraordinary Items	-	-	-	-	-	-	-
Chg. in Cash & Bank balance	46	-26	184	1,172	806	525	495

Source: Company data, I-Sec research

Table 28: Key ratios*(Year ending Mar 31)*

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)							
EPS(Basic Recurring)	25	30	32	35	41	46	52.1
Recurring Cash EPS	31.6	38.2	38.0	45.7	51.7	56.4	64.6
Book Value per share (BV)	84.6	91.0	92.6	112.6	102.9	118.9	137.1
Core EPS	22.05	27.30	29.72	32.24	36.52	39.92	45.31
DPS	12.2	19.7	22.5	20.1	51.1	29.7	33.9
Growth Ratios (%)							
Operating Income	34.1%	8.1%	0.9%	0.5%	13.6%	12.6%	
EBITDA	26.5%	-14.5%	31.8%	3.2%	8.3%	13.8%	
Recurring Net Income	18.2%	7.4%	9.7%	17.6%	10.3%	14.1%	
Recurring CEPS	20.9%	-0.6%	20.5%	13.0%	9.1%	14.6%	
Valuation Ratios (x)							
P/E	75.6	64.0	59.6	54.3	46.2	41.9	36.7
P/B	22.6	21.1	20.7	17.0	18.6	16.1	14.0
Dividend Yield	0.64	1.03	1.17	1.05	2.67	1.55	1.77
Core P/E	86.9	70.2	64.4	59.4	52.4	48.0	42.3
Operating Ratio (%)							
Employee expenses/Sales	34.2%	35.3%	39.6%	36.9%	36.4%	37.8%	37.4%
Opex & Other exps /Sales	23.7%	25.0%	29.0%	22.1%	21.5%	22.1%	22.0%
Other Income / PBT	12.9%	8.8%	8.7%	8.5%	11.8%	12.6%	13.1%
Effective Tax Rate	34.3%	35.4%	34.8%	30.4%	25.2%	25.2%	25.2%
D/E Ratio (x)	na	na	na	na	na	na	na
Return/Profitability Ratio (%)							
Recurring Net Income Margins	25.8%	22.8%	22.6%	24.6%	28.7%	27.9%	28.2%
RoCE	41.4%	50.1%	42.3%	47.1%	46.9%	49.7%	48.7%
RoNW	29.9%	34.1%	35.0%	34.3%	38.5%	41.2%	40.7%
Dividend Payout Ratio	48.3%	65.8%	69.9%	57.0%	123.3%	65.0%	65.0%
EBITDA Margins	42.1%	39.7%	31.4%	41.0%	42.1%	40.2%	40.6%

Source: Company data, I-Sec research

Index of Tables and Charts

Tables

Table 1: List of MFs serviced by CAMS and KFin as of Jan'21.....	3
Table 2: MF RTAs charge the highest fee for equity AUMs	4
Table 3: Industry segmental AUM trend of domestic MFs (Rs bn).....	4
Table 4: CAMS revenue reconciliation	5
Table 5: H1FY21 revenue breakup.....	5
Table 6: Q3FY21 revenue breakup	5
Table 7: Employee split.....	8
Table 8: Past transactions have been in the range of 19-23x	9
Table 9: Shareholders details as on Dec-20.....	10
Table 10: Trend so far.....	12
Table 11: AUM trajectory expectations for FY20-30.....	12
Table 12: Total e-insurance policies and e-insurance accounts with each insurance repository.....	20
Table 13: FY20 revenue mix.....	31
Table 14: Cost break analysis.....	32
Table 15: Movement of claims	32
Table 16: Movement of trade payables and other current liabilities	32
Table 17: Movement in cash and investments	32
Table 18: Assumption	34
Table 19: Peers valuations	35
Table 20: Peer comparison.....	35
Table 21: Management profile	37
Table 22: Key acquisitions details	41
Table 23: K-Fin Tech - P/L (margin remains ~35-40%).....	42
Table 24: K-Fin Tech – B/S.....	42
Table 25: Profit and loss statement	43
Table 26: Balance sheet	43
Table 27: Cashflow statement	44
Table 28: Key ratios	44

Charts

Chart 1: AUM serviced by CAMS	6
Chart 2: CAMS market share trend	6
Chart 3: Role of CAMS	6
Chart 4: Employee split.....	8
Chart 5: CAMS – Milestones.....	9
Chart 6: Timeline of key stakes bought by investors	9
Chart 7: Shareholding pattern as on Dec-20	10
Chart 8: Equity AUM mix is expected to improve to 53% by FY30E	13
Chart 9: MF penetration in India remains very low compared to other countries (GDP in US\$ terms)	13
Chart 10: Equity AUM and debt AUM as % of GDP for India indicate good headroom for growth.....	13
Chart 11: Indian AUM has witnessed a healthy growth led by healthy retail participation .	14
Chart 12: Participant-wise asset class bifurcation	14
Chart 13: Functions of CRA	17
Chart 14: NPS Architecture.....	18
Chart 15: SBI – Loans against mutual fund units	19
Chart 16: ICICI Bank – Loans against mutual fund units.....	19
Chart 17: CAMS application and its features.....	21
Chart 18: CAMS application – ‘My Investments’ page snapshot.....	22
Chart 19: MyCAMS helps facilitate various transactions to investors at ease.	23

Chart 20: MyCAMS app – Digital NFO page snapshot	24
Chart 21: Go Corp - statement view	25
Chart 22: Go Corp – purchase entry snapshot.....	25
Chart 23: Go Corp – report generation and authorization	25
Chart 24: e Insurance Accounts & Policies.....	27
Chart 25: Revenue CAGR	28
Chart 26: EBITDA CAGR is comparable for last 5 years	28
Chart 27: PAT CAGR has been higher for CAMS	28
Chart 28: EBITDA margin is healthy for CDSL and CAMS; operating leverage can enable further expansion	28
Chart 29: PAT margin	29
Chart 30: RoE of CDSL is lower due to higher cash balance.....	29
Chart 31: AUM growth - 5YR CAGR.....	29
Chart 32: AUM growth 3YR CAGR.....	29
Chart 33: Management fees 3YR CAGR.....	30
Chart 34: EBITDA CAGR.....	30
Chart 35: PAT	30
Chart 36: RoE margin remain strong for CAMS and AMCs	30
Chart 37: CAMS' revenue is expected to growth at 9% CAGR between FY20-FY23E	33
Chart 38: CAMS' revenue breakup.....	33
Chart 39: CAMS' EBITDA margin is expected to remain healthy at +40% level between FY20-23.....	33
Chart 40: Driven by lower taxes and better margins, PAT is expected to grow at 14% CAGR between FY20-23	33
Chart 41: CAMS has seen limited operating leverage benefits due to higher employee cost component. 9MFY21TD margin is high due to lower mix of low margin business (paper transaction).....	34
Chart 42: Asset under custody (AUC) has risen 5% CAGR in past 10 years	38
Chart 43: Asset servicing fees has grown at 6% CAGR in past 10 years	38
Chart 44: Total investment servicing revenue has grown at 6% CAGR in past 10 years ..	39
Chart 45: Asset serving fees for BNY Mellon has largely been stable... ..	39
Chart 46: ...so has been total investment services revenue % of AUC	39
Chart 47: PBT (investor servicing segment) % of AUC is ~ 1-1.3%, except in CY12 and CY14	39
Chart 48: AUC has risen 7% CAGR in past 10 years.....	40
Chart 49: Asset servicing fees has grown at 4.3% CAGR in past 10 years	40
Chart 50: Total investment servicing revenue has grown at 4% CAGR in past 10 years ..	40
Chart 51: Total investment servicing revenue % of AUC has declined from ~4bps to 2.2bps	40
Chart 52: ...asset services fee has seen a similar trend	41
Chart 53: PBT of investment servicing segment % AUC has remained around 0.8%	41

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)

BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Ansuman Deb, MBA, BE; Ravin Kurwa, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.