Canara Robeco AMC Ltd. (CRAMC)– Investment BUY Call

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 22 July 2026

CMP -> 252
Buying Range -> 252 to 258
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 290

1. Investment Thesis & Financial Performance

Canara Robeco Asset Management Company Ltd. (CRAMC) remains a compelling BUY candidate for a 6 to 9 months investment horizon, supported by healthy AUM growth, improving operating profitability, a high-quality equity-oriented asset mix, strong retail participation and multiple operating leverage triggers. In Q1 FY27, Revenue from Operations increased 20% YoY to INR 1,162 million, while **Operating Profit from the Core AMC Business (Revenue from Operations less Operating Expenses) increased 26% YoY to INR 698 million, significantly outpacing revenue growth and highlighting the scalability of the asset management business.** PAT increased 24% YoY to INR 756 million, while PBT grew 24% YoY to INR 994 million, reflecting improving profitability despite continued investments in distribution and people. Quarterly Average AUM (QAAUM) increased to INR 1.187 lakh crore, while Equity QAAUM reached INR 1.081 lakh crore, reinforcing the strength of the company's core equity franchise. During FY26, Revenue from Operations increased to approximately INR 424.9 crore, while PAT reached approximately INR 203.8 crore, supported by healthy revenue yields and disciplined cost management. **The portfolio mix remains a major structural strength, with 91% of AUM invested in equity-oriented schemes and 86% of Monthly Average AUM contributed by individual investors, positioning the company to benefit disproportionately whenever equity markets recover and retail participation accelerates.** The May 2026 Q4 FY26/FY26 earnings conference call further reinforced management's confidence in maintaining profitability, with management emphasizing that PAT remains the most important performance metric rather than short-term yield fluctuations, while expecting TER-to-BER implementation to remain broadly neutral or marginally positive over time.

2. Business Overview & Competitive Position

Canara Robeco Asset Management Company is one of India's leading mutual fund asset managers, promoted by Canara Bank and ORIX Corporation Europe, offering diversified investment solutions across equity, debt, hybrid, ETF and other mutual fund categories through a product basket comprising multiple actively managed schemes. The company earns recurring fee income based primarily on assets under management, making the business highly scalable with significant operating leverage. Its distribution model combines bank distribution, national distributors, mutual fund distributors, digital channels and direct investors. The company serves retail investors, HNIs, institutions and corporate clients across India through 29 branches, over 56,800 empanelled distributors and rapidly expanding digital platforms. Growth is closely linked to India's financial savings trend, mutual fund penetration, SIP inflows, retail participation, equity market performance, capital market expansion and increasing household allocation towards financial assets. The structurally equity-heavy portfolio and predominantly retail investor base provide superior long-term fee stability compared with wholesale institutional-focused AMCs.

3. Growth Catalysts & Near-Term Business Opportunities

The next 2–4 quarters present multiple visible growth catalysts. The most important initiative is the creation of five dedicated SIP sales teams, announced by management during the May 2026 Q4 FY26 earnings conference call, with management guiding for a directional improvement in SIP growth within six months. This initiative assumes greater significance because SIP Month-end AUM already stands at approximately INR 41,500 crore in Q1 FY27, representing one of the highest-quality and most stable components of the asset base. The company is simultaneously executing digital reactivation campaigns for paused SIPs, which should improve customer retention and recurring inflows. Distribution expansion also remains a major growth driver, with the company increasing its branch network from 23 to 29 branches during FY26 while continuing to expand its distributor ecosystem to over 56,800 partners, widening access to retail investors across Tier-II, Tier-III and B30 locations. Management also reiterated its disciplined product pipeline, targeting approximately two New Fund Offers annually, with additional fund launches expected after regulatory approvals. Every successful NFO expands the product basket, creates incremental AUM pools and enhances long-term cross-selling opportunities.

The company also continues to benefit from multiple structural growth drivers. B30 Monthly Average AUM contributes approximately 23–24% of total AUM, providing access to relatively sticky retail assets with lower redemption behaviour. Digital engagement continues to improve significantly, with website engagement rates and average engagement time increasing sharply during Q1 FY27, while digital capabilities have expanded through new NRI re-KYC functionality, enhanced investor services and WhatsApp-based distributor onboarding. Direct plan contribution remains approximately 28% of AUM, supporting better economics over time. The equity-oriented portfolio mix, combined with India's structurally rising SIP culture, increasing financialization of household savings and expanding mutual fund penetration, positions the company favourably for sustained AUM compounding over the medium term. Management also continues to emphasise active fund management rather than pursuing low-yield passive products, thereby protecting long-term profitability.

4. Operating Leverage, Margin Expansion & Strategic Execution

Canara Robeco possesses one of the strongest operating leverage stories within the domestic AMC industry. Incremental AUM requires limited incremental operating expenditure, allowing a significant portion of additional revenue to flow directly into operating profit. This operating leverage is already visible in Q1 FY27, where Core AMC Operating Profit increased 26% YoY, substantially faster than revenue growth. Management highlighted during the May 2026 conference call that Q4 FY26 employee expenses of approximately INR 23.7 crore represent the new operating base, while maintaining a targeted cost-to-income ratio between 40% and 50%. Management also reiterated that operating expense growth should remain broadly in the 12–15% range, allowing rising revenue yields and expanding AUM to generate margin expansion over time. Earlier investments in branch expansion, digital infrastructure, technology platforms, distributor onboarding and customer servicing should now begin delivering stronger productivity as utilisation improves. Revenue yields also improved during Q4 FY26 to approximately 39 basis points from 35.5 basis points, reflecting favourable asset mix changes, while management expects the new BER framework to be neutral or marginally positive after distributor negotiations. The company's disciplined execution, long-tenured investment team, strong research capabilities, focus on active management and consistent investment performance continue to strengthen its competitive positioning while supporting sustainable operating margins.

5. Capital Allocation, Balance Sheet Strength & Cash Flow Profile

The company maintains an exceptionally strong balance sheet with negligible financial leverage, strong liquidity and substantial financial flexibility, characteristics typical of high-quality asset management businesses. The asset-light business model requires limited maintenance capital expenditure, allowing a significant proportion of operating earnings to convert into cash flows. Over the past 12–18 months, investments have primarily focused on expanding branch infrastructure, strengthening digital platforms, technology upgrades, distribution capabilities, compliance systems and investor servicing rather than heavy physical assets. These investments are expected to support future AUM growth while improving operating efficiency. Going forward, management intends to continue measured investments in branch expansion, digital capabilities, distribution reach, product development and customer acquisition while maintaining prudent capital allocation. As operating cash flows continue to strengthen alongside expanding AUM and higher core operating profits, free cash flow generation is expected to remain robust, supporting long-term shareholder returns, future growth investments and dividend distribution without requiring external borrowings.

6. Industry Outlook, Strategic Positioning & Long-Term Competitive Advantages

The Indian mutual fund industry continues to benefit from powerful structural tailwinds, including rising household financialization, increasing SIP participation, favourable demographics, growing retail participation, digital adoption and expanding awareness of long-term investing. Industry Quarterly Average AUM increased 15.3% YoY to approximately INR 83.1 lakh crore by June 2026, while industry SIP assets and monthly SIP inflows continued to grow despite intermittent market volatility. Canara Robeco is well positioned to capture this opportunity due to its 91% equity-oriented portfolio, 86% retail investor mix, strong Canara Bank distribution franchise, expanding digital ecosystem and disciplined active fund management approach. Management reiterated during the May 2026 conference call that it prefers remaining focused on mutual funds rather than aggressively diversifying into PMS, AIFs or passive products, believing that sustained investment performance, risk-adjusted returns, service quality and investor trust remain the most durable competitive advantages. This conservative yet execution-focused strategy strengthens franchise stability while preserving long-term profitability and operating efficiency.

7. Investment Conclusion, Key Risks & Medium-Term Outlook

Overall, Canara Robeco Asset Management Company offers an attractive combination of recurring fee income, scalable operating leverage, improving core profitability, expanding distribution, strong SIP franchise, healthy retail participation and favourable industry tailwinds. The most important positive developments include accelerating Core AMC Operating Profit, improving revenue yields, dedicated SIP sales initiatives, continued branch expansion, growing digital engagement, expanding distributor network and a structurally equity-heavy portfolio that should outperform during favourable equity market conditions. Nevertheless, investors should monitor certain short-term risks, including prolonged equity market volatility affecting mark-to-market AUM, slower-than-expected SIP additions, execution risks around the BER implementation, regulatory changes affecting expense ratios, competitive pressure from larger AMCs, delayed NFO approvals and temporary margin pressure arising from continued investments in branch expansion and distribution. However, management's disciplined execution, conservative capital allocation, strong balance sheet, robust operating cash generation, improving operating leverage and confidence expressed during the May 2026 Q4 FY26 earnings conference call regarding SIP recovery, profitability discipline and long-term active fund management strategy collectively support a BUY recommendation with a 6–9 month investment horizon.

Q1FY27 Financial Performance (Consolidated):

Particulars (₹ Million)	Q1 FY27	Q1 FY26	Y-o-Y %	Q4 FY26	Q-o-Q %
Revenue from Operations	1,162	971	20%	1,142	2%
Other Income	296	243	22%	-104	-385%
Net Gain/Loss On fair value changes	291	240	21%	-106	-375%
Other Income	5	3	67%	2	150%
Total Income	**1,458**	**1,214**	**20%**	**1,038**	**40%**
Finance Cost	6	5	20%	5	20%
Employee Benefits Expense	281	249	13%	237	19%
Depreciation and Amortization	25	17	47%	20	25%
Other Expenses	152	144	6%	194	-22%
Total Expenses	**464**	**415**	**12%**	**456**	**2%**
Profit Before Tax	**994**	**799**	**24%**	**582**	**71%**
Tax Expense	238	189	**26%**	168	**42%**
Profit After Tax	**756**	**610**	**24%**	**414**	**83%**

Particulars (₹ Million)	Q1 FY27	Q1 FY26	Y-o-Y %	Q4 FY26	Q-o-Q %
Revenue from Operations	1,162	971	20%	1,142	2%
Total Expenses	464	415	12%	456	2%
Operating Profit from Core AMC business	**698**	**556**	**26%**	**686**	**2%**

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team