

Price: 3,816

Recommendation: Buy

Industry: Depositories, Clearing

Sector: Financial Services

Report Date: 22-Mar-2025

Computer Age Management Services Limited (CAMS) has demonstrated strong performance with a 28% revenue growth, despite market slowdowns. The company is diversifying beyond mutual funds, with non-MF revenue at 12.5%. CAMS has expanded in digital payments, achieving a 53% growth. It is enhancing its market position through new initiatives, adding clients, and launching solutions like WhatsApp KYC. CAMS aims to increase non-MF revenue to 20% and expand its insurance repository business.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1285 Cr	Operating Profit(Year)	601 Cr	Operating Profit Margin	46.8 %
Previous Year	929 Cr	Operating Profit(Quarter)	163 Cr	EBITDA Margin	38.83 %
Current Quarter	348 Cr	PAT (Year)	326 Cr	Net Profit Margin	30.9 %
Previous Quarter	342 Cr	PAT (Quarter)	118 Cr	EPS	87.7
Revenue (QYoY)	269 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	43.7	Sales Growth	27.9 %	Sales Growth	1.75 %
PEG Ratio	1.73	PAT Growth	23.02 %	Sales Growth QYoY	29.37 %
EV/EBITDA	29.3	EPS Growth	27.84 %	PAT Growth	2.61 %
P/B	19.0	Dividend Yield	1.22	PAT Growth QYoY	37.85 %
Capital Allocation		Holdings		Leverage	
RoE	40.5 %	Promoter	0.00 %	Debt/Equity	0.08
RoA	28.2 %	FII	57.6 %	Debt	79.0 Cr
RoCE	49.8 %	DII	17.3 %	Market Cap	18861 Cr
RoIC	82.9 %	Public	25.0 %	Enterprise value	18768 Cr
		No of Shares	4.94 Cr	Cash Equivalents	172 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

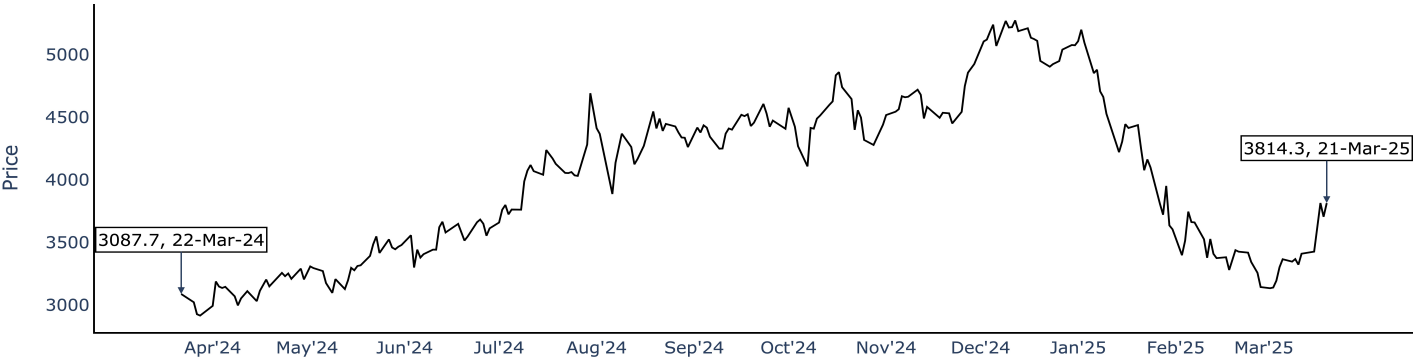
In the recent meeting, Computer Age Management Services Limited (CAMS) reported a robust performance with a 28% revenue growth, despite a slowdown in the capital markets. The company has been focusing on diversifying its revenue streams beyond mutual funds (MF), with non-MF revenue now constituting 12.5% of the total. CAMS has been successful in acquiring new clients, including one of the top five brokerages, and has expanded its presence in the non-MF segment, which has been a strategic focus for the past two years. The company has also made significant strides in the digital payments space, with CAMSPay reporting a 53% revenue growth, driven by the shift from physical to digital transactions.

CAMS has been actively pursuing new initiatives and business strategies to enhance its market position. The company has added 21 new clients in the alternatives segment and has established a strong presence in GIFT City, with 25 clients managing over \$1 billion in assets under management (AUM). The company has also launched innovative solutions like WhatsApp KYC and the NEXUS dashboard to improve client service and gain market share. Additionally, CAMS has been empanelled by LIC for authentication services and payment gateway services, marking a significant win in acquiring high-quality, long-term clients.

Looking ahead, CAMS is optimistic about its growth and scaling prospects. The company aims to increase its non-MF revenue to 20% of the total within the next two to three years. CAMS is also focused on expanding its insurance repository business, with plans to onboard more life insurers. The company is leveraging its strong operational capabilities and cost control measures to maintain high profitability, with an operating EBITDA margin of 47%. CAMS is also exploring opportunities in the account aggregator and analytics space, having recently won a mandate from one of the largest banks in the country.

While the company's performance has been commendable, there are areas for improvement. The slowdown in new account openings, particularly in the MF and demat segments, poses a risk to the KRA business. Additionally, there could be a reduction in yields over the coming year due to price changes, which may impact margins. However, CAMS is confident in its ability to mitigate these challenges through automation, process improvements, and leveraging its existing operating leverage. Overall, CAMS is well-positioned for future growth, with a strong foundation in place to capitalize on emerging opportunities in the financial services sector.

CAMS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
BSE	64706.52	69.16	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	27866.02	54.38	5.82%	5.53%	57.35%	4.18%	3091.40%
CDSL	25420.67	45.79	31.31%	-13.70%	29.67%	-19.86%	20.83%
KFin Technolog.	18936.91	58.80	24.47%	3.40%	32.60%	0.96%	34.94%
Cams Services	18860.95	43.67	40.47%	1.65%	29.26%	2.26%	37.72%

Aspect	Commentary
Revenue	The company achieved a 28% revenue growth, indicating strong performance despite market slowdowns. This growth is driven by diversification beyond mutual funds, with non-MF revenue at 12.5% and significant expansion in digital payments, achieving a 53% growth[0].
Profit & Loss	Operating profit for the year stands at 601 Cr, with a quarterly figure of 163 Cr. The PAT for the year is 326 Cr, and for the quarter, it is 118 Cr. These figures reflect a robust financial performance, supported by strategic diversification and client acquisition[0].
Profitability Matrix	The company maintains a strong profitability profile with an operating profit margin of 46.8%, EBITDA margin of 38.83%, and a net profit margin of 30.9%. The EPS is 87.7, indicating efficient cost management and high profitability[0].
Valuation Matrix	The valuation metrics show a trailing P/E of 43.7, PEG ratio of 1.73, EV/EBITDA of 29.3, and P/B of 19.0. These figures suggest a high valuation, reflecting investor confidence and growth potential, though they may also indicate overvaluation risks[0].
Growth (YoY)	Year-over-year growth is strong, with sales growth at 27.9%, PAT growth at 23.02%, and EPS growth at 27.84%. The dividend yield is 1.22, indicating a solid return to shareholders and a positive growth trajectory[0].
Growth (QoQ)	Quarter-over-quarter growth shows sales growth at 1.75% and PAT growth at 2.61%. The QYoY sales growth is 29.37%, and PAT growth is 37.85%, highlighting consistent performance and effective business strategies[0].
Capital Allocation	The company demonstrates efficient capital allocation with RoE at 40.5%, RoA at 28.2%, RoCE at 49.8%, and RoIC at 82.9%. These metrics reflect strong returns on investment and effective use of capital[0].
Holdings	The shareholding pattern shows 57.6% FII, 17.3% DII, and 25.0% public, with no promoter holding. This distribution indicates a high level of institutional confidence and a diversified investor base[0].
Leverage	The company maintains a low leverage with a debt/equity ratio of 0.08 and total debt of 79.0 Cr. The market cap is 18861 Cr, and enterprise value is 18768 Cr, indicating strong financial health and low financial risk[0].

Analyst viewpoint: Computer Age Management Services Limited (CAMS) exhibits a bullish outlook in the short to mid-term, driven by substantial growth and strategic diversification. With a solid 28% revenue growth despite market slowdowns and a significant 53% increase in digital payments, CAMS is expanding its footprint beyond mutual funds. The company's effective capital allocation is evident with a high ROCE of 49.8% and robust performance metrics like a 46.8% operating profit margin. Further, CAMS' strategic initiatives, such as expanding its non-mutual fund revenue and advancing digital solutions like WhatsApp KYC, solidify its competitive positioning in the market. The company's appealing valuation, with a trailing P/E of 43.7, supports high investor confidence, although it may suggest overvaluation risks.

However, within this promising trajectory, a mild caution is advised concerning potential slowing growth in the mutual fund and demat sectors, which could affect certain business segments. Additionally, there could be pressure on margins due to anticipated price adjustments. Despite this, CAMS' strong operational leverage and strategic focus on automation and diversification reinforce our confidence in its resilient growth prospects, making it a compelling choice for investors seeking robust performance within the financial services sector.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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