

Price: 3,757

Recommendation: Buy

Industry: Depositories, Clearing

Sector: Financial Services

Report Date: 02-Apr-2025

Computer Age Management Services Limited (CAMS) recently reported a strong quarter, with a 28% revenue increase and mutual fund revenues up by over 28%. Despite a slight dip in non-MF revenue, it grew by 22%. CAMS is expanding its digital capabilities and client base, adding 24 new logos in Q3. The company aims to grow non-MF revenue to 20% of total revenue in 2-3 years, focusing on digital transformation and client-centric solutions for sustained growth.

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	43.0	Sales Growth	27.9 %	Sales Growth	1.75 %
PEG Ratio	1.70	PAT Growth	23.02 %	Sales Growth QYoY	29.37 %
EV/EBITDA	28.8	EPS Growth	27.84 %	PAT Growth	2.61 %
P/B	18.7	Dividend Yield	1.28	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	18570 Cr
RoIC	82.9 %	Public	25.0 %	Enterprise value	18476 Cr
		No of Shares	4.94 Cr	Cash Equivalents	172 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

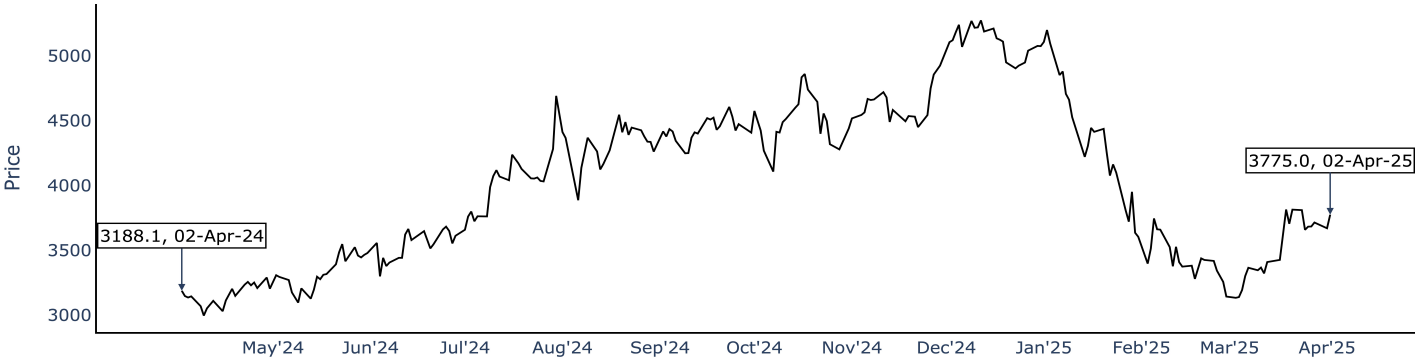
In the recent meeting, Computer Age Management Services Limited (CAMS) reported a robust quarter, despite some market slowdowns. The company highlighted a 28% revenue growth, with mutual fund (MF) revenues growing over 28% on the back of a 38%-39% asset growth. Non-MF revenue, although slightly lower than the previous quarter, still showed a commendable 22% growth. The company emphasized its strong execution discipline, with EBITDA growing by 34% and PAT by over 40%, showcasing effective cost management and operational efficiency. CAMS also declared an interim dividend of INR17.5 per share, reflecting a total payout of INR260 crores for the year, aligning with their dividend policy.

CAMS is actively pursuing new initiatives and business strategies to drive growth. The company added 24 new logos in Q3, including significant wins in the AIF and payments sectors. They have been empanelled by LIC for authentication and payment gateway services, marking a significant step in acquiring high-quality, long-term clients. CAMS is also focusing on scaling its digital capabilities, with the launch of WhatsApp KYC and the NEXUS dashboard, which are expected to enhance client service and market share. The company is expanding its presence in GIFT City, with plans to add more clients and focus on NPS as a segment, indicating a strategic push towards diversification and innovation.

Looking ahead, CAMS is optimistic about its future growth and scaling prospects. The company aims to grow its non-MF revenue to 20% of overall revenue within the next 2-3 years, leveraging its strong asset mix and operational leverage. Despite potential yield compressions, CAMS is confident in maintaining its margins through automation and process improvements. The company is also focusing on expanding its client base in the non-MF segment, with significant client acquisitions and a strong pipeline of new mandates. CAMS's strategic focus on digital transformation and client-centric solutions positions it well for sustained growth in the coming years.

While the company has demonstrated strong performance, there are areas for potential improvement. The anticipated yield compression could impact margins, and the company must continue to innovate and optimize its operations to mitigate this risk. Additionally, while the non-MF segment shows promise, maintaining the growth momentum in a potentially subdued market environment will require strategic agility and continued investment in technology and client relationships. Overall, CAMS's strategic initiatives and strong financial performance provide a solid foundation for future growth, but careful management of market challenges will be crucial to sustaining this trajectory.

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	76553.26	81.82	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	27437.11	53.50	5.82%	5.53%	57.35%	4.18%	3091.40%
CDSL	25528.37	45.92	31.31%	-13.70%	29.67%	-19.86%	20.83%
Cams Services	18569.58	43.04	40.47%	1.65%	29.26%	2.26%	37.72%
KFin Technolog.	17961.24	55.78	24.47%	3.40%	32.60%	0.96%	34.94%

Aspect	Commentary
Revenue	The company experienced a significant revenue increase, with a 28% growth year-over-year, driven by strong mutual fund revenues. This indicates robust market demand and effective sales strategies, positioning the company well for future growth.
Profit & Loss	Operating profit margins are strong, with a notable increase in PAT, reflecting effective cost management and operational efficiency. This suggests a healthy financial position and potential for sustained profitability.
Profitability Matrix	High operating and net profit margins indicate strong profitability. The EPS growth further supports the company's efficient operations and ability to generate shareholder value.
Valuation Matrix	The valuation metrics, including a high P/E ratio, suggest the market has high expectations for future growth. The PEG ratio indicates growth is priced in, while EV/EBITDA reflects operational efficiency.
Growth (YoY)	Year-over-year growth metrics show strong performance, with significant increases in sales, PAT, and EPS. This reflects the company's ability to expand and capture market opportunities effectively.
Growth (QoQ)	Quarter-over-quarter growth is modest but positive, indicating steady progress. The company maintains momentum with slight increases in sales and PAT, suggesting resilience in a competitive market.
Capital Allocation	High returns on equity and capital employed demonstrate efficient capital allocation. The company effectively utilizes its resources to generate substantial returns, indicating strong financial health.
Holdings	The ownership structure shows significant foreign institutional investment, indicating confidence in the company's prospects. Public holdings are substantial, reflecting broad market interest.
Leverage	Low debt-to-equity ratio indicates conservative leverage, minimizing financial risk. The company's strong market cap and cash position provide a solid foundation for future investments and growth.

Analyst viewpoint: Computer Age Management Services Limited (CAMS) has delivered an impressive performance this quarter, demonstrating significant growth and expansion in both mutual fund and non-mutual fund segments. With year-over-year revenue growth of 28% and an ongoing strategic push towards digital transformation, CAMS continues to elevate its market standing. The addition of 24 new clients, particularly in high-growth areas like AIF and payments, underscores the firm's robust client acquisition strategy. Capitalizing on technological advancements such as WhatsApp KYC and the NEXUS dashboard, the company enhances its service offering, preparing for sustained growth in the near future. The company's strong operational efficiency is reflected in a 34% EBITDA increase and a PAT growth of over 40%, signaling robust financial health and effective cost management practices.

CAMS's valuation metrics, including a trailing P/E of 43.0 and a PEG ratio of 1.70, reflect strong market confidence and growth potential. While maintaining a conservative leverage with a debt-to-equity ratio of just 0.08, the company's impressive return metrics, such as RoE of 40.5% and RoCE of 49.8%, highlight effective capital allocation and operational execution. Despite the overall positive trajectory, the company should remain vigilant about potential yield compression, which could exert pressure on margins over time. Thus, continued innovation and strategic agility will be essential in navigating future market challenges and sustaining the robust growth observed thus far.

Please read detailed disclosure on next page.

