

**10<sup>th</sup> September, 2024**  
**Analyst - Sushil Kr Jaiswal**

Recommendation	CMP (₹)	Target (₹)	Upside Potential (%)	Time Horizon
Buy	4,245	5,150	21%	9 – 12 months

### Computer Age Management Services Limited (CAMS)

is India's largest registrar and transfer agent (RTA) for mutual funds, with a commanding market share of approximately 68%. Established in 1988, CAMS has been instrumental in providing technology-driven financial infrastructure and services to mutual funds and other financial institutions. The company serves 10 of the 15 largest mutual fund houses in India, showcasing its deep industry integration and long-standing client relationships.

CAMS offers a wide range of services, including transaction processing, investor services, distributor support, and compliance solutions, ensuring seamless operations across the mutual fund lifecycle. In recent years, CAMS has diversified into non-mutual fund services, including alternative investment funds (AIFs), payments (CAMSPay), KYC services (CAMS KRA), and account aggregator platforms, fuelling growth beyond its core business.

#### Stock Details

<b>Sector:</b>	Financial Services
<b>FV (₹):</b>	10
<b>Total Market Cap (₹):</b>	21,446 cr.
<b>52-Week High/Low (₹):</b>	4,910/2,230
<b>Sensex/Nifty (₹):</b>	81,207/24,859
<b>BSE Code/NSE Symbol:</b>	543232/CAMS

#### Shareholding Pattern

	Sep-23	Dec-23	Mar-24	Jun-24
<b>Promoters</b>	19.87%	0.00%	0.00%	0.00%
<b>FIIIs</b>	38.61%	47.69%	53.78%	56.51%
<b>DIIIs</b>	16.05%	23.07%	19.91%	19.42%
<b>Public</b>	25.48%	29.26%	26.32%	24.07%

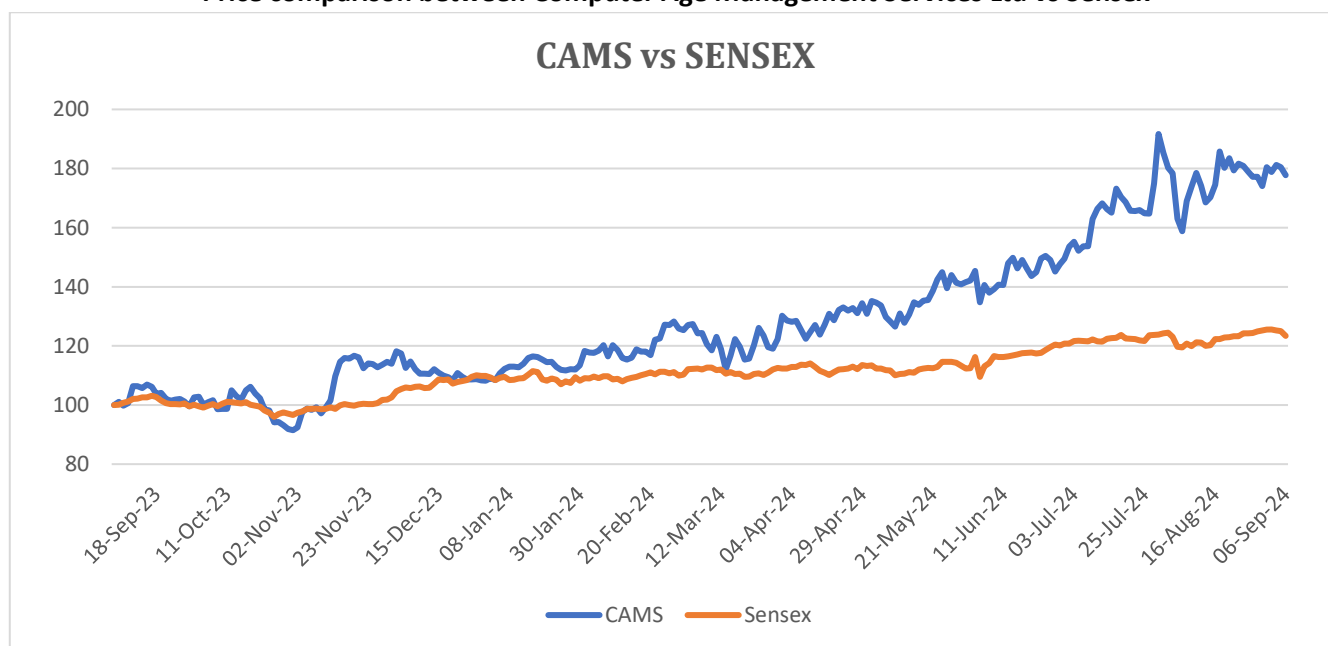
#### Price Performance

	1M	3M	6M	12M
<b>CAMS</b>	12.29%	29.09%	47.40%	76.06%
<b>SENSEX</b>	3.26%	8.10%	9.55%	23.19%

Key Financials (Cons)	FY20	FY21	FY22	FY23	FY24	4Y CAGR %
Net Sales	700	705	910	972	1137	12.89%
EBITDA (Excl OI)	338	348	480	595	718	20.72%
EBITDA Margin (%)	48.29%	49.34%	52.73%	61.22%	63.16%	
Profit After Tax	172	205	287	285	354	19.77%
PAT Margin (%)	24.55%	29.12%	31.53%	29.35%	31.10%	
Earnings Per Share (Rs)	35	42	59	58	72	
Book Value	113	106	132	160	186	
Div Per Share (Rs)	12	62	39	38	47	
Dividend Yield (%)	-	3.4%	1.6%	1.8%	1.6%	
ROE (%)	34%	39%	51%	42%	44%	
ROCE (%)	51%	53%	67%	54%	56%	

Valuation Ratio (Consolidated)	Latest (TTM)	4 Year Median
P/E	57.33	43.07
P/BV	22.84	16.88
EV/EBITDA	37.27	27.22
Market Cap/Sales	18.32	12.96

Price comparison between Computer Age Management Services Ltd vs Sensex



## Q1FY25 Con-Call Highlights:

### Financial Performance:

#### Revenue Growth:

- CAMS reported 26.8% revenue growth year-on-year with mutual fund (MF) revenue growing by 26.3%.
- Non-MF revenue grew at a higher rate of 30.7% indicating strong performance across diversified business lines.
- CAMS expects non-MF revenue to grow by about 2% annually aiming for it to reach 20% of total revenue in the next 3–3.5 years.

#### EBITDA and Margins:

- EBITDA grew by 36.6% showcasing operational efficiency.
- The EBITDA margin stood at 45.4%, a significant 320 basis points improvement year-on-year despite the increase in cost typically seen in Q1.
- Profit after tax (PAT) grew by 42% with margins rising by 330 basis points.

#### Profitability:

- CAMS achieved its highest-ever EBITDA of ₹150 crore for Q1 FY25.
- PAT margins were 32% driven by solid revenue growth and efficient cost management.
- The return on net worth stood at 44.4%.

**Mutual Fund Business:**

- CAMS crossed the ₹40 trillion AUM mark, reflecting a 35% growth.
- The equity AUM surged by over 55% year-on-year.
- CAMS maintained a 66% market share in equity assets.
- SIP registrations nearly doubled year-on-year crossing 9 million.

**Non-MF Business Performance:**

- The non-MF segment's revenue grew by 31%.
- CAMSPay, the payments business, posted 44% revenue growth driven by expanding SIP counts and broader adoption of UPI AutoPay.
- CAMS KRA (KYC services) witnessed 100% revenue growth reflecting robust demand from mutual funds and brokerage firms.

**Alternative Investment Fund (AIF) & Account Aggregator:**

- The AIF business reported 36 new clients including the first overseas fund.
- CAMS aims to maintain 20% annual growth in the AIF business.
- The account aggregator business, despite being a small contributor, grew rapidly and is expected to deliver ₹7-8 crores in revenue in FY25.

**Cost Management:**

- Employee costs increased due to annual salary increments and investment in top-tier talent but cost efficiency was maintained.
- Operating expenses grew reflecting increased transaction volumes and cloud infrastructure costs.
- CAMS is transitioning its core RTA platform to the Google Cloud, a multi-year project with an expected impact on costs of less than 0.5% on margins.

**Market Share & Client Wins:**

- CAMS retained 82% market share in new fund offerings (NFOs).
- The company successfully integrated 1 million electronic insurance policies achieving significant market share growth in its insurance repository business.

**Cash & Dividend:**

- CAMS reported a strong cash balance of ₹718 crore before the final dividend payout of ₹81 crore.
- An interim dividend of ₹11 per share was declared.

**Capital Expenditure:****Cloud Migration:**

- CAMS is undertaking a multi-year cloud migration project in partnership with Google Cloud. This involves reengineering its core RTA (Registrar and Transfer Agent) platform to make it more scalable, efficient and future-ready.
- The entire project is expected to take 4-5 years with a module-based phased implementation. While the project will incur costs in the initial years, CAMS expects the impact on margins to be limited to 0.5%. By the fourth or fifth year, this transition is expected to be margin-neutral or even accretive as it reduces dependency on physical data centres and legacy systems.

**Investment in Data Centres:**

- CAMS currently operates three data centres and has set up an additional ad-hoc data centre. However, with the migration to cloud infrastructure, CAMS plans to reduce investments in physical data centres over the coming years.

- The transition to cloud computing will allow CAMS to scale its computing and data storage needs more efficiently, especially during peak periods (like at the beginning and end of the month) when transaction volumes surge.

**Other Technology Investments:**

- CAMS has been investing in upgrading its technology infrastructure across other lines of business, including CAMSPay, CAMS KRA and the insurance repository business.
- These investments are expected to enhance operational efficiency and service delivery across its core mutual fund services as well as its rapidly growing non-MF businesses.

**Guidance by the Management:****Revenue Growth:**

- CAMS aims to grow non-MF revenue to at least 20% of total revenue in the next 3 to 3.5 years, targeting an annual increase of approximately 2% in non-MF revenue.
- The company expects mid- to high-20% growth from the non-MF business for the next few quarters driven by the performance of CAMSPay, CAMS KRA and the account aggregator business.
- Overall revenue growth is expected to be supported by both mutual fund and non-mutual fund businesses, with mutual funds contributing around 15% growth and non-mutual funds growing at 31% for the current quarter.

**EBITDA Margins:**

- CAMS expects its EBITDA margins to remain stable at around 45% going forward, despite any annual inflationary costs.
- The ongoing transition to cloud may impact margins by 0.5% initially, but the company expects the move to be margin-accretive from the fourth or fifth year as cost rationalization occurs.

**Non-MF Business Expansion:**

- CAMS intends to scale the non-MF business consistently targeting a 2% growth per year to reach the 20% target by FY27.
- The alternative investment fund (AIF) business is expected to maintain a 20% growth rate after seeing some moderation in the first quarter of FY25.
- The CAMS KRA (KYC business), having posted 100% growth, is expected to continue benefiting from new client additions and expansion into the brokerage and depository segments.

**Account Aggregator Business:**

- The company expects account aggregator revenues to reach around ₹7–8 crore in FY25 and is targeting ₹11–12 crore in FY26, with the business likely to achieve breakeven around that time.
- Market share is expected to remain strong through pricing pressures in the competitive landscape are acknowledged as a challenge.

**Cost Management:**

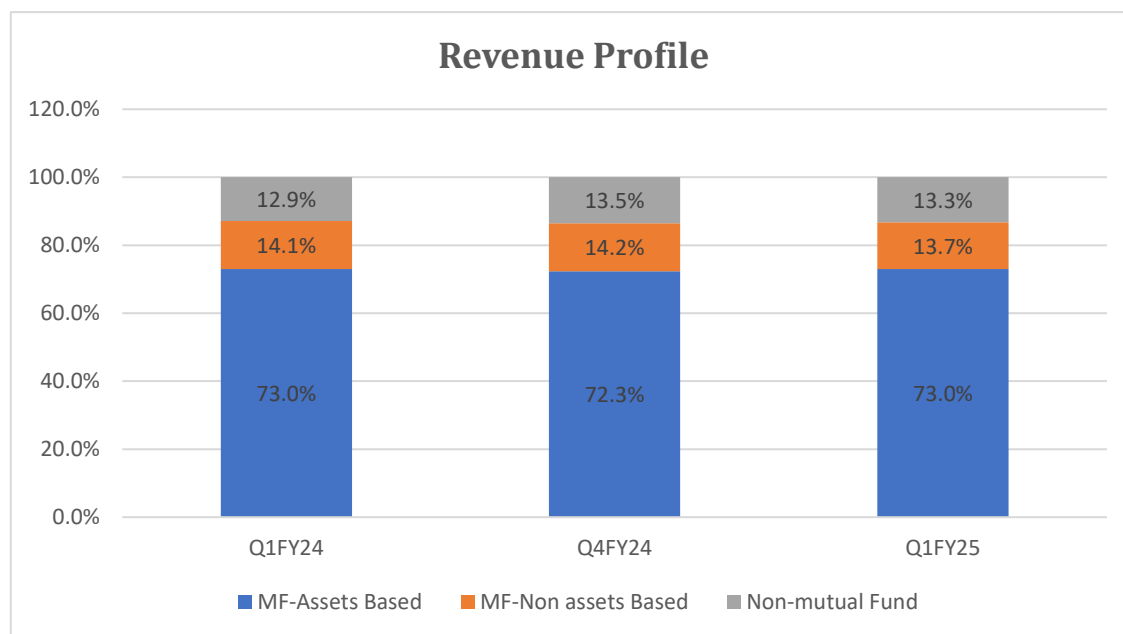
- CAMS aims to keep employee costs stable after the first quarter's increase due to annual salary increments and new talent hiring.

**Mutual Fund Business:**

- CAMS expects continued growth in the mutual fund business benefiting from increased SIP registrations and a strong equity AUM market.
- While CAMS anticipates growth in this sector, the non-MF business is seen as a key driver of revenue diversification.

### Strategic Focus Areas:

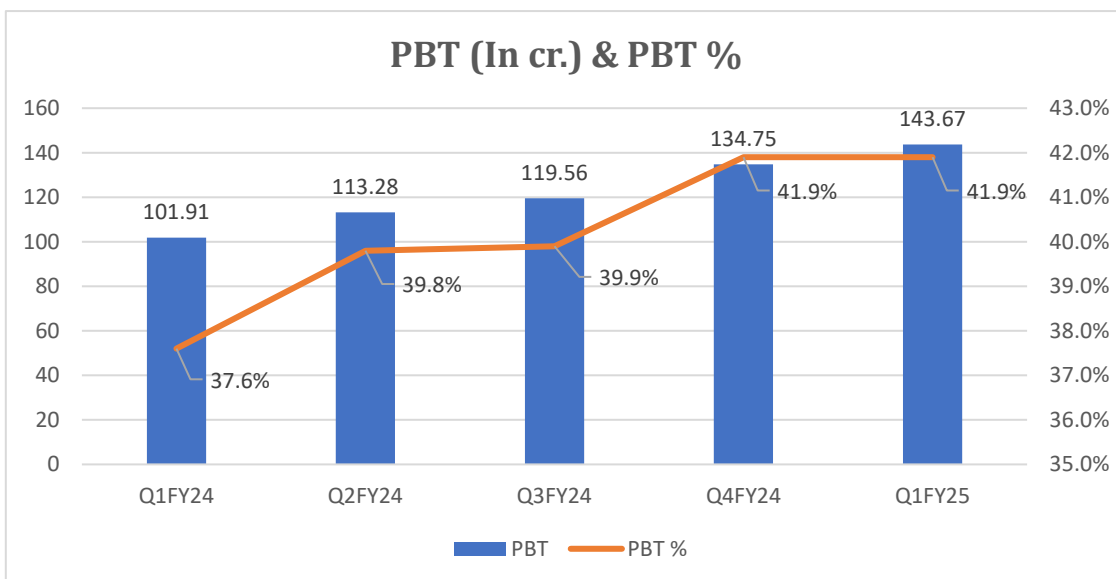
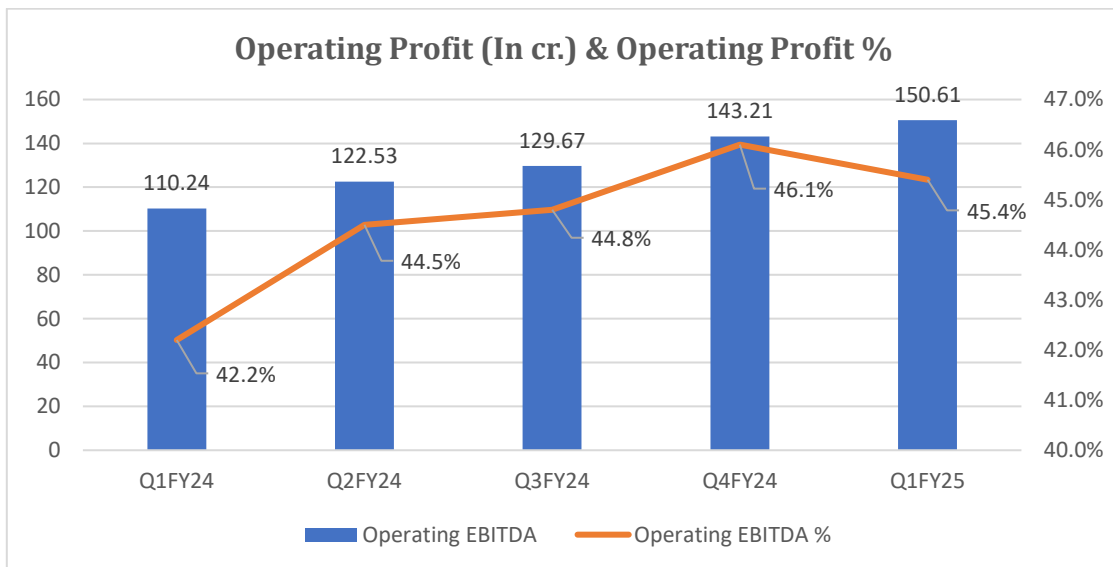
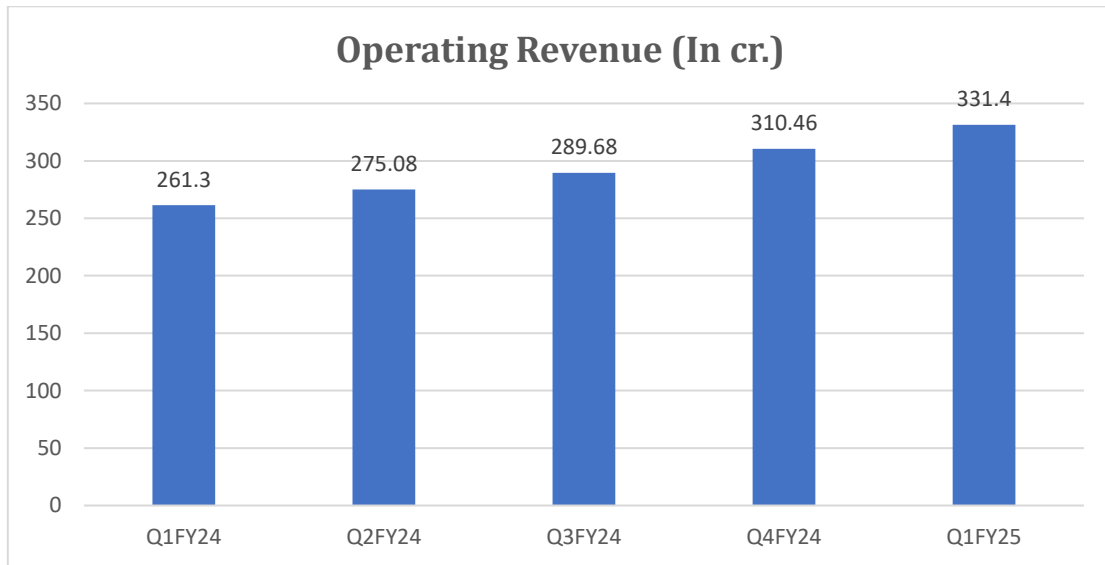
- CAMS is focusing on scaling up the insurance repository business, alternative investments and account aggregator services.
- The company is also exploring inorganic growth opportunities, particularly in areas like insurance and payments which could help accelerate its non-MF ambitions.

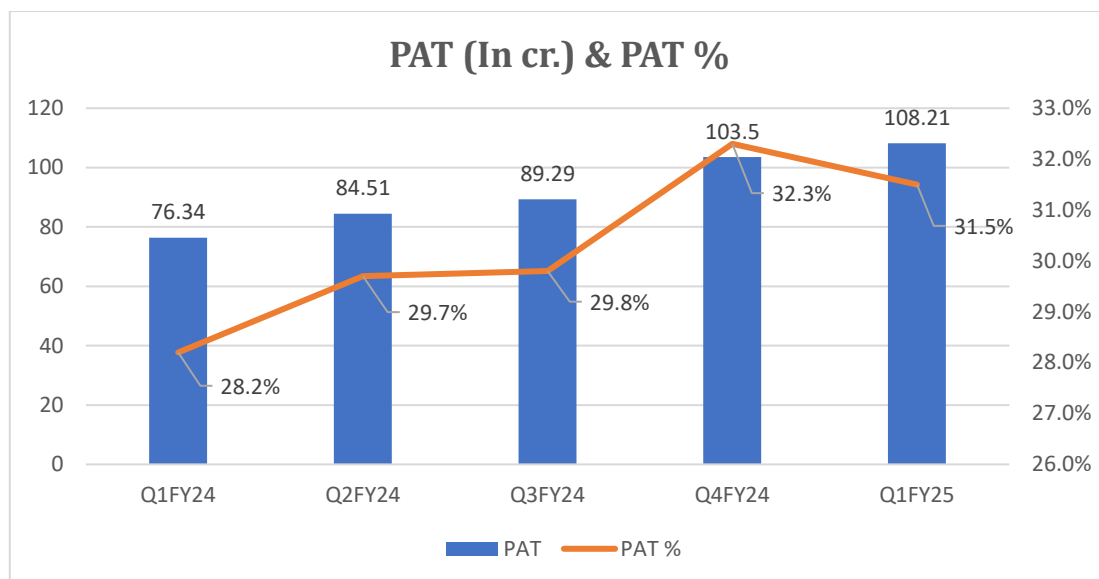


### Investment Rational:

- CAMS holds a dominant market share of approximately 68% in the mutual fund registrar and transfer agent (RTA) services which makes it the largest player in India's fast-growing mutual fund industry and it continues to expand with increasing participation from retail investors.
- They are aggressively growing its non-MF revenue streams, which grew by 30.7% year-on-year. Services such as CAMSPay, KYC (Know Your Customer) records, and account aggregator services are expanding, diversifying the company's revenue base beyond mutual funds.
- CAMS crossed the ₹40 trillion AUM milestone in Q1 FY25, with equity AUM growing by 56% year-on-year and SIP registrations reaching a record high of 9.3 million new SIPs. This is a testament to the increasing retail investor participation in the equity market further boosting CAMS' business.
- The company is making significant investments in cloud migration and technology upgrades, including a strategic partnership with Google Cloud to rearchitect its RTA platform. This will enhance scalability, security and operational efficiency and future-proofing the company's technology infrastructure.
- They have over 21 years of average relationship with its top 10 mutual fund clients including 10 of the 15 largest mutual funds in India. The high compliance, regulatory standards and technology infrastructure act as significant barriers to entry for new competitors.
- The company has been actively exploring inorganic growth avenues, particularly in areas such as insurance repository services and payments aggregation as evidenced by CAMS acquiring Think360 AI and CAMSPay's entry into new markets.
- CAMS continues to grow in the AIF and portfolio management services (PMS) sectors, securing new mandates and expanding its presence in GIFT City indicating its intent to capture a larger share of the institutional investment administration market.

## Performance Highlights:





## Income Statement

(In Cr.)

Income Statement (In Cr.)	FY20	FY21	FY22	FY23	FY24
Revenue	700	705	910	972	1,137
COGS	272	276	334	373	415
<b>Gross Profit</b>	<b>427</b>	<b>430</b>	<b>576</b>	<b>599</b>	<b>722</b>
SG&A	89	82	96	4	4
<b>EBITDA</b>	<b>338</b>	<b>348</b>	<b>480</b>	<b>595</b>	<b>718</b>
Other Income	19	26	12	18	28
Other Expenses	51	51	56	174	213
Depreciation & Amortization	51	43	52	60	70
<b>EBIT</b>	<b>255</b>	<b>279</b>	<b>384</b>	<b>379</b>	<b>463</b>
Interest	-8	-5	-2	1	7
<b>EBT</b>	<b>247</b>	<b>274</b>	<b>383</b>	<b>381</b>	<b>470</b>
Taxes	75	69	96	96	116
<b>PAT</b>	<b>172</b>	<b>205</b>	<b>287</b>	<b>285</b>	<b>354</b>

## Balance Sheet

(In Cr.)

Balance Sheet (In Cr.)	FY20	FY21	FY22	FY23	FY24
<b>ASSETS</b>					
Cash And Equivalents	23.22	17.43	4.51	16.39	6.74
Short Term Investments	9.85	55.36	57.60	134.78	202.97
Trading Asset Securities	305.61	235.54	316.95	329.83	406.55
<b>Total Cash &amp; ST Investments</b>	<b>338.68</b>	<b>308.32</b>	<b>379.05</b>	<b>481.01</b>	<b>616.26</b>
Accounts Receivable	32.03	28.99	25.55	33.02	64.86
Other Receivables	57.79	63.21	74.93	93.94	121.35
Notes Receivable	0.65	0.56	0.66	0.90	1.05
<b>Total Receivables</b>	<b>90.47</b>	<b>92.76</b>	<b>101.14</b>	<b>127.86</b>	<b>187.26</b>
Prepaid Exp.	7.32	9.34	14.94	17.44	19.27
Restricted Cash	16.28	19.45	0.73	0.49	85.37
Other Current Assets	20.00	103.38	122.53	103.58	86.01
<b>Total Current Assets</b>	<b>472.74</b>	<b>533.26</b>	<b>618.39</b>	<b>730.38</b>	<b>994.17</b>
Gross Property, Plant & Equipment	297.23	295.29	349.79	394.84	440.70
Accumulated Depreciation	-132.91	-156.31	-195.96	-224.92	-273.86
<b>Net Property, Plant &amp; Equipment</b>	<b>164.32</b>	<b>138.98</b>	<b>153.83</b>	<b>169.92</b>	<b>166.84</b>
Long-term Investments	0.73	0.53	-	-	-
Goodwill	133.60	133.60	133.60	143.23	179.59
Other Intangibles	11.08	11.44	26.82	28.19	42.46
Loans Receivable Long-Term	0.18	0.17	0.21	0.23	0.16
Deferred Tax Assets, LT	7.53	10.17	10.50	10.19	13.69
Other Long-Term Assets	12.92	13.79	13.79	15.41	17.29
<b>Total Assets</b>	<b>803.10</b>	<b>841.93</b>	<b>957.15</b>	<b>1,097.55</b>	<b>1,414.21</b>
<b>LIABILITIES</b>					
Accounts Payable	12.68	23.82	13.82	11.56	26.81
Accrued Exp.	43.78	56.87	68.14	60.60	67.58
Curr. Port. of Leases	25.91	14.61	19.57	19.72	26.37
Curr. Income Taxes Payable	-	0.25	0.05	0.11	10.63
Unearned Revenue, Current	0.51	0.47	0.38	0.34	0.63
Other Current Liabilities	19.83	90.63	72.03	77.69	173.93
<b>Total Current Liabilities</b>	<b>102.71</b>	<b>186.65</b>	<b>173.99</b>	<b>170.01</b>	<b>305.94</b>
Long-Term Leases	75.99	64.54	62.37	73.53	69.93
Pension & Other Post-Retire. Benefits	4.54	6.08	4.05	3.28	7.33
Def. Tax Liability, Non-Curr.	2.35	0.05	0.36	1.30	0.74
Other Non-Current Liabilities	68.66	68.75	68.75	66.96	114.62
<b>Total Liabilities</b>	<b>254.24</b>	<b>326.06</b>	<b>309.52</b>	<b>315.08</b>	<b>498.56</b>
Common Stock	48.76	48.79	48.90	48.99	49.14
Additional Paid In Capital	-	2.95	15.96	28.41	53.64
Retained Earnings	503.95	459.96	558.33	658.75	766.27
Comprehensive Inc. and Other	-3.85	4.17	24.44	45.58	45.48
<b>Total Common Equity</b>	<b>548.86</b>	<b>515.87</b>	<b>647.64</b>	<b>781.72</b>	<b>914.53</b>
Minority Interest	-	-	-	0.75	1.11
<b>Total Equity</b>	<b>548.86</b>	<b>515.87</b>	<b>647.64</b>	<b>782.47</b>	<b>915.65</b>
<b>Total Liabilities and Equity</b>	<b>803.10</b>	<b>841.93</b>	<b>957.15</b>	<b>1,097.55</b>	<b>1,414.21</b>



## Cash Flow Statement

(In Cr.)

Cash Flow Statement (In Cr.)	FY20	FY21	FY22	FY23	FY24
<b>Cash flow from Operating Activities</b>					
Net Income	172	205	287	285	354
Adjustments	37	38	55	66	80
Operating Profit before Working Capital Changes	208	243	342	351	434
Change in Working Capital	-9	21	-20	-33	-32
<b>Cash flow from Operating Activities</b>	<b>199</b>	<b>264</b>	<b>321</b>	<b>318</b>	<b>401</b>
<b>Cash flow from investing activities</b>	<b>-84</b>	<b>2</b>	<b>-131</b>	<b>-102</b>	<b>-188</b>
<b>Cash flow from financing activities</b>	<b>-97</b>	<b>-272</b>	<b>-204</b>	<b>-205</b>	<b>-224</b>
<b>Net Change in Cash during the year</b>	<b>18</b>	<b>-6</b>	<b>-13</b>	<b>12</b>	<b>-10</b>

### View:

As the largest registrar and transfer agent (RTA) for mutual funds in India, **Computer Asset Management Services (CAMS)** controls approximately 68% of market share which signifies its dominance in an industry that is poised for growth amidst increasing retail investor participation. The company's revenue is consistently growing at 26.8% year-on-year and company's financials reflect strong operational efficiency and profitability. The expansion in non-mutual fund services also offers diverse revenue streams and the company's investment in cloud migration enhances scalability, efficiency and security. With a strong balance sheet, regular dividend payment and ongoing expansion into new growth areas, CAMS provides an attractive investment opportunity for the long-term. Hence, we gave a buy recommendation on CAMS with a price target (PT) of Rs. 5150 in a time of horizon of next 9-12 months, considering its strong earnings growth trajectory over the coming years.

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