

Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs. 1229 - 1230
Face Value (Rs)	10
Issue Size (Rs)	2242Cr
Issue Type	Book Building
Minimum lot	12
Issue Opens	September 21, 2020
Issue Closes	September 23, 2020
Listing on	BSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	September 28, 2020
Unblocking of Funds	September 29, 2020
Credit of shares to Demat Account	September 30, 2020
Listing on exchange	October 01, 2020

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, HDFC Bank Limited, ICICI Securities Limited, Nomura Financial Advisory and Securities (India) Private Limited.
Registrar	Link Intime India Private Limited

Computer Age Management Services Limited

Company Background

Incorporated on May 25, 1988, Computer Age Management Services (CAMS) Ltd is a technology-driven financial infrastructure and service provider. It is India's largest registrar and transfer agent of mutual funds. The company provides services in the area of electronic payment collections services business, insurance services business, alternative investment funds services business, banking, and non-banking services business, KYC registration agency business, and software solutions business. CAMS has a wide network comprising 25 states, 278 service centers, and five union territories. It also offers services online through a mobile application.

Issue Details

The offer comprises Offer for sale of Equity shares aggregating up to Rs.2242Cr. CAMS will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholder.

OFS Details:

Name	Shares offered for sale
NSE Investments	Up to 18,246,600 Equity Shares

Issue Objectives

1. Achieve the benefits of listing the Equity Shares.
2. To carry out the Offer for Sale by the Selling Shareholder.

IPO share allotment pattern

Category	Allocation	Number of Shares	Issue Size at Rs.1229 (Rs.Cr)	Issue Size at Rs.1230 (Rs.Cr)
QIB	50%	9,032,050	1110	1111
Non-Institutional	15%	2,709,615	333	333
Retail	35%	6,322,435	777	778
Employee*		182,500	20	20
Total		18,246,600	2240.28	2242.11

* Discount of Rs.122 for Employee

Source: Company RHP, ACMIIL Research

Outlook and Valuations

CAMS is India's largest registrar and transfer agent of mutual funds with an aggregate market share of approximately 70% based on mutual fund average assets under management managed ("AAUM") by its clients. Its mutual fund clients include four of the five largest mutual funds as well as nine of the 15 largest mutual funds based on AAUM during July 2020. According to CRISIL, Mutual fund average assets under management is expected to grow at a CAGR of 18% between March 2021 and March 2025, set to reach Rs.52 trillion from Rs.27 trillion in FY20. Considering a healthy balance sheet, high return ratio, and market leadership position, CAMS is expected to grow at CAGR of 12 to 13% in the next five years. At the upper price band of Rs.1230/-, the stock trades at 34.6x its FY20 EPS of Rs.35.54/-. **We recommend to subscribe the issue from a long-term prospective.**

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Business Overview

CAMS's business verticals include Mutual Fund Service Business, Electronic Payment Collection Services Business, Insurance Services Business, Alternative Investment Fund Services Business, Banking and Non-Banking Services Business, KYC Registration Agency Business and Software Solution Business. Currently, the company is competing with number of entities that provide similar in each of the business lines in which it operates.

CAMS is involved through the life cycle of an account – from account creation to processing to redemption; Also provides statutory statements, transaction origination, operations, investor and distributor services, risk management services and compliance services.

The growth of the assets under management of its mutual fund clients is important to them, as a substantial portion of its mutual fund revenues are based on the mutual fund AAUM of its clients. As a result of the nature of the funds and services provided, CAMS charge more fees from equity mutual funds as compared to other categories of mutual funds. The AUM of equity mutual funds serviced by them grew from Rs.218,000 crore as of March 31, 2015 to Rs.522,800 crore as of March 31, 2020, at a CAGR of 19.1%, and as of June 30, 2020 was Rs.619,000 crore.

It offers an integrated and customized portfolio of services through a pan-India physical network comprising 271 service centres spread over 25 states and five union territories as of June 30, 2020, and which are supported by call centres in four major cities, four back offices (including a disaster recovery site), all having real-time connectivity, continuous availability and data replication and redundancy. Further, the company offers many of its services online and through its several mobile device applications, to investors, clients, their distributors and their channel providers. The continued development of proprietary platforms and applications has furthered the company's competitive technology advantage.

CAMS conduct their insurance services business through its Subsidiary, CAMS Insurance Repository Services Limited. According to the CRISIL Report, CAMS had a market share of 39% of the insurance repository business, based on e-insurance policies being managed, during the financial year 2018. As part of its insurance services business, it assists its clients with agent management, branch operations, processing of new business applications, servicing policies and other permitted support functions.

As part of its alternative investment fund services business, CAMS provides services to investors manage records and do fund accounting and reporting, among others. It has 77 alternative investment fund ("AIF") clients, having an aggregate of Rs.16,027 crore in AAUM for June 2020.

Investment Rationale

Largest infrastructure and services provider of mutual fund

CAMS is India's largest registrar and transfer agent of mutual funds. The nature of its services to mutual funds spans multiple facets of its relationship with their investors, distributors and regulators. By providing a range of services, CAMS plays an important role in developing and maintaining its clients' market perception. In addition, the number of folios serviced by CAMS grew from 3.94 crore as of March 31, 2020 to 3.98 crore as of June 30, 2020. Its operating model has assisted in contributing to the growth of its mutual fund clients by providing real time, uninterrupted, pan India services. The term of relationship with HDFC Asset Management Company Limited, ICICI Prudential Asset Management Company Limited, SBI Funds Management Private Limited and Aditya Birla Capital Limited, its 4 largest mutual fund clients, averages 18 years as of June 30, 2020.

Key Performance Indicator

	As of and for the financial year ended March 31				
	2016	2017	2018	2019	2020
Total AAUM of the mutual funds serviced (Rs. in Cr)	793	1029	1376	1584	1815
Equity Oriented* (Rs. In Cr)	233	292	488	623	671
Number of transactions handled (in Cr)	12	15	25	31	33
Number of live folios (in Cr)	2	2	3	4	4
Number of total investor folios (in Cr)	4	4	5	6	7
Number of PAN accounts handled (in Cr)	1	1	1	1	2
Number of SIP transactions processed (in Cr)	6	8	13	19	24

*Does not include Arbitrage schemes
Source: Company RHP, ACMIIL Research

A diverse portfolio of technology-enabled services

CAMS offer an integrated business model wherein their portfolio of services offered and their pan-India physical network enable their clients to leverage their technology-driven financial infrastructure thereby reducing the need for them to make significant investments

to develop and offer such services. According to the CRISIL Report, they have accumulated significant domain knowledge on mutual fund investors and the mutual fund business through years of experience in servicing investors.

Scalable Technology Enabled Ecosystem

CAMS has developed and implemented various technology platforms and its technology driven infrastructure and services are integral to the operations of its clients. From handling over 98 million transactions in the financial year 2015, we handled over 328 million transactions in the financial year 2020. Their solutions help reduce the need for clients to make significant investments in infrastructure, thereby allowing them to increase their focus on their core business activities. IT team comprising of over 606 qualified professionals as of June 30 2020, manages a comprehensive proprietary IT infrastructure, develop innovative products and ensure systems and data security. CAMS has developed in-house and own Investrak.NET, a mutual fund transfer agency platform, myCAMS, a mobile device investor interface application, GoCORP, a distributor focused application, and MFDEX a market intelligence product/information database, among many other services.

Technology Enabled Platforms



Strong Focus on Processes and Risk Management

CAMS clients are regulated financial institutions and the services CAMS provides to them must be accurate, timely and continuous, secure and technologically advanced as they are considered to be necessary to the functioning of financial services industry. In its mutual funds services business, CAMS assists its clients with their compliance requirements, including submission of reports to regulators.

CAMS continuously monitor its systems and processes. Its relentless focus on systems and processes has contributed significantly to its growth and allowed them to become a trusted provider of services to its clients and other stakeholders. They continue to automate processes and enhance their systems and risk management to try to ensure that all its obligations and regulatory requirements are fulfilled on a timely basis and without error.

CAMS has implemented a cyber-security and cyber resilience policy and established a technology committee comprising of eminent specialists from IIT Bombay and IIT Madras, as well as the banking industry. The initiatives taken by them to improve its processes and systems include limiting one email address per investor account, implementing a DNS utility to prevent virus attacks, establishing direct real time data backup, among others.

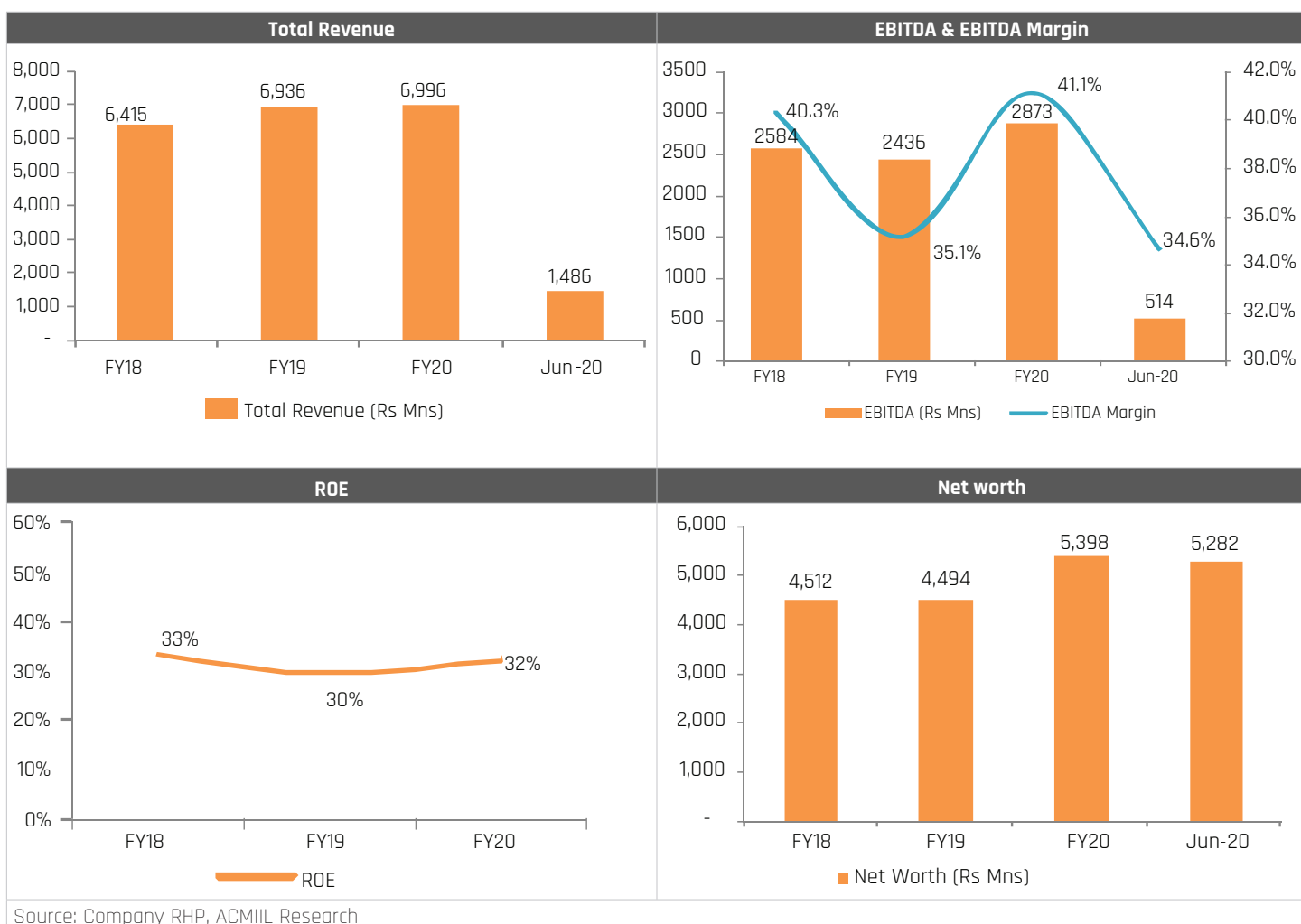
Comparison of key players in the MF RTA business

The analyses the operational performance and key financial indicators of CAMS and Karvy (which together account for approximately 96% of the MF RTA industry) for the financial year 2020.

Particulars	CAMS	Karvy
Revenue from operations (in Rs.Cr)	699.6	449.9
CAGR growth in revenue from operations (FY 2015-2020)	12.80%	9.10%
PAT margin	23.90%	1%
EBITDA margin	42.80%	36%
ROE	34.10%	3%
Monthly AAUM (in Rs. Cr) managed by fund houses serviced (Mar'2020)	17,14,278	6,57,045
Monthly AUM CAGR % (Financial Year 2015- 2020)	18.60%	11.60%
Quarterly AAUM (in Rs. Cr) managed by fund houses serviced (Mar'2020)	1,874, 013	7,24,621
Quarterly AUM CAGR % (Financial Year 2015- 2020)	21.20%	12.30%
No of clients (Top 10)	6	3
No of clients (Top 5)	4	1
No of branches/Locations	271	203
Source: Company RHP, ACMIIL Research		

Risk and Concern

- As an RTA, CAMS is subject to periodic audit inspections by the SEBI. Non-compliance with observations made by the SEBI during these inspections could expose it to penalties and restrictions.
- Future revenue and profit are largely dependent on the growth, value and composition of AAUM of the mutual funds managed by the clients, which may decline.



Financials

Income statement

Particulars (Rs Mns)	FY18	FY19	FY20	Q1FY21
Revenue from Operations	6,415	6,936	6,996	1486
Less: Operating exp				
Employee Benefit Expense	2,263	2,746	2,580	645
Operating expenses	941	1,058	866	168
Other exp	627	696	678	158
Total Expenses	3,831	4,501	4,124	972
EBITDA	2,584	2,436	2,873	514
EBITDA %	40.3%	35.1%	41.1%	34.6%
Less : Dep & Amortization	402	504	485	107
EBIT	2,182	1,932	2,388	408
Add: other income	163	182	217	148
Less : Finance cost	79	105	97	23
PBT	2,266	2,009	2,508	533
Less : Tax	803	700	773	124
Net Profit	1,463	1,309	1,735	408
PAT %	22.8%	18.9%	24.8%	27.5%
Diluted EPS (Rs)	29.93	26.75	35.54	8.37

Source: Company RHP, ACMIIL Research

Balance sheet

Particulars (Rs Mns)	FY18	FY19	FY20	Q1FY21
Share Capital	488	488	488	487.87
Other Equity	3,948	3,925	4,911	4,794
Non Controlling Interest	77	82		
Total Shareholders Fund	4,512	4,494	5,398	5,282
Non Current Liabilities:				
Other Financial Liabilities	866	840	772	646
Provisions	567	711	735	750
Total Non Current Liabilities	1,432	1,551	1,507	1,395
Current Liabilities:				
Trade Payables	336	350	360	436
Other financial liabilities	258	248	259	427
Current Tax Liabilities (Net)	11	19		
Other Current Liabilities & Provisions	429	701	501	814
Total Current Liabilities	1,034	1,318	1,120	1,677
Total Liabilities	6,978	7,363	8,026	8,355
Assets				
Non Current Assets				
Property, plant & Equipment	700	710	653	633
Right of Use Assets	1,069	972	886	726
Intangible assets	1,466	1,518	1,447	1,425
Investments	20	20	5	6
Others Financial Assets	135	116	123	130
Other non-current assets	197	221	86	100
Total Non Current Assets	3,588	3,558	3,199	3,020
Current Asset				
Investments	2,161	2,305	3,056	3,155
Trade Receivables	225	270	320	436
Cash and bank balances	277	435	507	839
Other Financial Assets	6	10	64	67
Other current assets	721	785	879	838
Total Current Asset	3,390	3,805	4,826	5,336
Total Asset	6,978	7,363	8,026	8,355

Source: Company RHP, ACMIIL Research

ACMIIL Retail Research Products

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