

Issue Details		
Issue Opens	21-Sep-20	
Issue Closes	23-Sep-20	
Issue Size (in Crs)	Rs. 2240.28-2242.11	
Issue Size (Shares)	18,246,600	
Authorised Shares	50,250,000	
Issued, Subscribed and Paid Up Sh.	48,760,000	
Offer for Sale	18,246,600	
Face Value	Rs. 10.00	
Employee Portion	182,500	
Employee Discount	Rs.122.00	
Lot Size (Sh)	12	
Price Band	Rs.1229- Rs.1230	
Issue Type	Book Building	
Book Value (in Rs.)(FY20)	109.97	
BRLMs	HDFC Bank Ltd, ICICI Securities Ltd, Kotak Mahindra Capital Company Ltd, Nomura Financial Advisory and (Securities) India Pvt Ltd.	
Registrar	Link Intime India Pvt Ltd	
Listing Venue	BSE	
Finalization of Allotment	On or about 28-Sep-20	
Initiation of refund	On or about 29-Sep-20	
Credit to Demat Account	On or about 30-Sep-20	
Listing	On or about 01-Oct-20	
Issue Structure		
Categories	Allocation	
QIBs	50.00%	
Non-Institutional	15.00%	
Retail Portion	35.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter & Promoter Group	43.50%	31.00%
Public & Employee	56.50%	69.00%
Total	100.00%	100.00%
Recommendation		
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### Company Background

Computer Age Management Services Limited ("CAMS") founded on May 25, 1988 by V Shankar is headquartered in Chennai, India. CAMS is a technology-driven financial infrastructure and services provider to mutual funds and other financial institutions with over 2 decades of experience. Its marquee shareholders include names like Warburg Pincus (43.50% stake), HDFC (5.99% stake), HDFC Bank (3.33%, stake) & NSEIL (37.48% stake). CAMS is India's largest registrar and transfer agent of mutual funds with an aggregate market share of 70% as of July, 2020. CAMS has pan India presence with around 271 service centers, 4 call centers & 4 back offices spread over 25 states & 5 union territories.

### Objects of the Issue

- To carry out the Offer for Sale up to 12,164,00 equity shares by selling shareholders.
- To achieve the benefits of listing the equity shares on the BSE.
- To enhance the visibility and brand image and provide liquidity to the shareholders.

### Key Points

- Indian Mutual Fund (MF) industry grew at a CAGR of 18% from Rs.11.9tn in FY15 to Rs.27tn in FY20. This industry is expected to grow at a CAGR of 18% to Rs.52tn by FY25. Equity MF share in AUM to grow from 42% in FY20 to 47% in FY25. This would drive the revenue of MF RTA (Registrar & transfer agent) by CAGR of 15% from Rs.900 crores in FY20 to Rs.1760 crores in FY25. CAMS, average AUM (AAUM) was 19.2tn, of which 32% was equity MF AAUM at Rs.6.2tn as of July, 2020.
- CAMS had handled over 32.8mn transactions in FY20 supported by its in-house applications for its clients like- 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. Over 9 of 15 largest MFs were serviced by CAMS during July, 2020.
- CAMS is a member of NISCA- a US based not for profit trade association which connects players in global asset management industry that helps in monitoring developments in the MF industry.
- Over the years, CAMS has leveraged its domain expertise, processes and infrastructure by diversifying its services to other financial services sector with huge growth potential like Alternative investment fund services (AAUM of Rs.160bn as of June 2020), electronic payment collection (93.3mn ECS & ACH transactions in FY20) and Insurance services (39% market share in insurance repository business, June, 2020).
- During FY17-20, CAMS revenue grew at a CAGR of 13.52%. Over the same period EBIDTA & PAT grew by 15.57% & 10.91% respectively. Due to its asset light model & no listed peer, the issue is seeking P/BV of 11x FY 20 Book Value & P/E ratio of 35x of FY20 EPS. Given the sustainable profit growth, high ROEs (35% in FY20) and strong cash in books of Rs.400 crores, valuations stands reasonable.

Particulars (in Rs. Crs)	Q1FY21	Q1FY20	Var%	FY20	FY19	Var%	FY18	FY17
Revenue From Operations	148.63	175.01	-15.07	699.63	693.64	0.86	641.54	478.31
Other Income	14.84	5.47	171.30	21.71	18.06	20.21	22.19	24.52
Total Income	163.46	180.48	-9.43	721.34	711.71	1.35	663.73	502.83
Total Expenses	110.19	120.61	-8.64	412.36	475.73	-13.32	408.85	292.22
PBT	53.27	59.86	-11.01	250.78	207.26	21.00	231.93	193.6
Tax	12.45	19.71	-36.83	77.32	72.08	7.27	82.21	66.47
PAT	40.83	40.19	1.59	173.46	135.18	28.32	149.72	127.13
EPS (in Rs.)	8.37	8.24	1.58	35.57	27.72	28.32	30.71	26.07
Book Value (in Rs.)	108.27	93.96	15.23	109.97	92.65	18.69	92.24	85.22
Equity	48.79	48.76	0.06	48.76	48.76	0.00	48.76	48.76

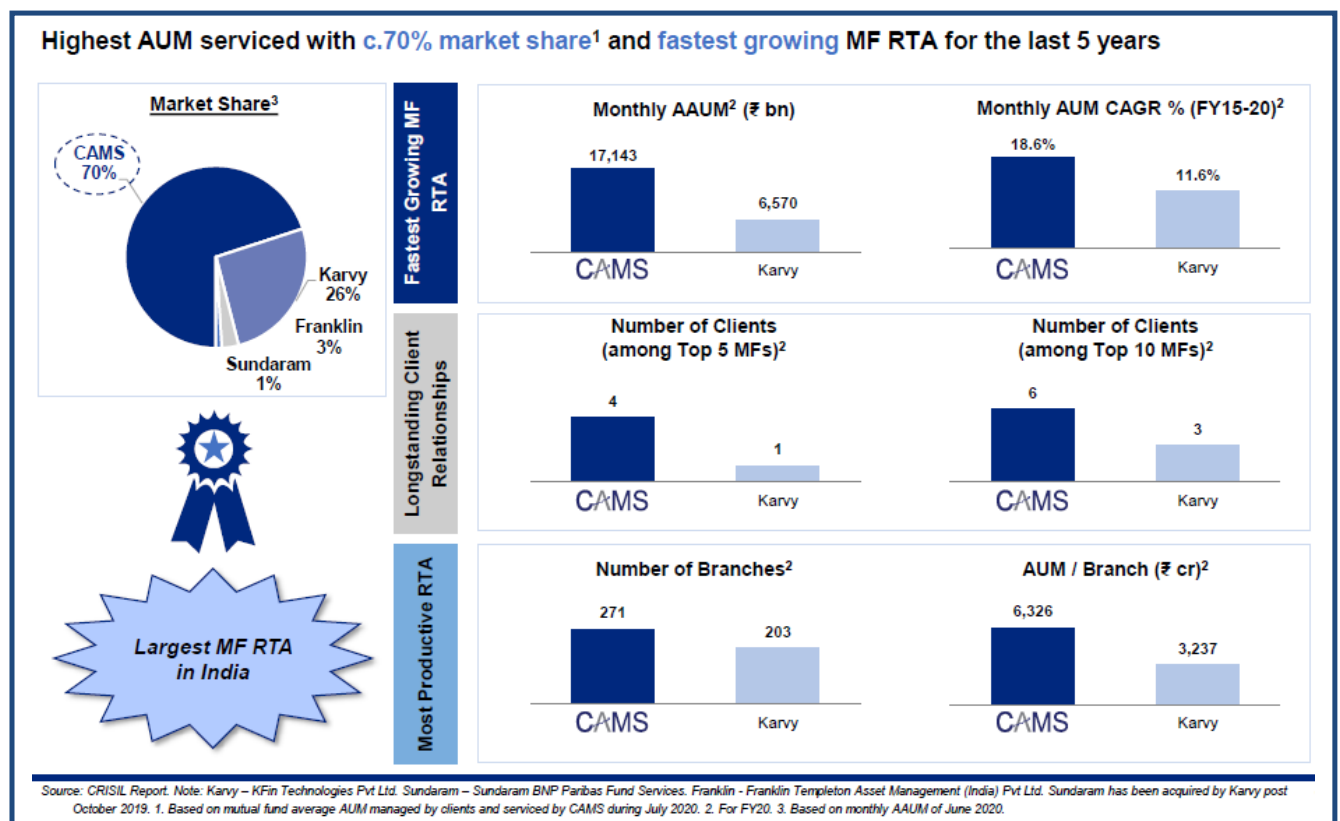
Source: Company, RHP, Ace Equity, AUM Research

## Competitive Strengths

- Largest Infrastructure and Services Provider in a large and growing Mutual Funds Market
- Integrated Business Model and Longstanding Client Relationships in its Mutual Funds Services Business
- Scalable Technology Enabled Ecosystem
- Strong Focus on Processes and Risk Management
- Experienced Management and Board and Marquee Shareholders
- Maintain the Leadership Position by enhancing Service Offerings to Mutual Fund Clients
- Continue the Technology-led Services Innovations
- Achieve Leadership in Individual Businesses and then Target Scale
- Improve Automation in the Businesses

## Risk Factors

- As an RTA, CAMS is subject to periodic audit inspections by the SEBI. Non-compliance with observations made by the SEBI could expose it to penalties and restrictions
- The coronavirus disease (COVID-19) has had an adverse effect on the business and operations and the extent to which it may continue to do so cannot be predicted.
- 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 due to competition.
- Significant disruptions in information technology systems or breaches of data security could adversely affect the business and reputation.



Source: Company, RHP, Ace Equity, AUM Research

**Financials**

Financial Highlights - Consolidated (Value in Rs. Crs)						
Description	FY20	FY19	FY18	FY17	FY16	FY15
<b>Inc / Exp Performance</b>						
Gross Sales	699.63	693.64	641.54	478.31	397.92	383.65
Total Income	721.34	711.71	663.73	502.83	412.16	390.94
Total Expenditure	412.36	475.73	408.85	292.22	245.15	247.64
PBIDT	308.99	235.97	254.88	210.61	167.01	143.30
PBIT	260.48	207.54	232.21	193.69	148.54	119.58
PBT	250.78	207.26	231.93	193.60	147.44	119.44
PAT	173.46	135.18	149.72	127.13	98.48	79.98
Cash Profit	221.96	163.61	172.38	144.05	116.95	103.70
<b>Sources of Funds</b>						
Equity Paid Up	48.76	48.76	48.76	48.76	48.76	48.76
Reserves and Surplus	487.43	402.99	401.02	366.78	315.30	246.19
Net Worth	536.19	451.75	449.78	415.54	364.06	294.95
Total Debt (Long Term plus Short Term)	0.00	0.00	0.00	0.00	0.00	0.00
Capital Employed	539.81	451.75	449.78	415.54	364.06	294.95
<b>Application of Funds</b>						
Gross Block	521.55	348.54	318.65	278.66	260.71	258.63
Investments	306.14	232.54	218.16	222.33	177.49	105.30
Cash and Bank balance	50.66	43.50	27.66	15.26	13.99	19.74
Net Current Assets (Including Current Investments)	370.59	273.59	261.18	248.19	192.89	122.47
Total Current Liabilities	112.01	490.73	385.59	271.07	41.94	49.65
Total Assets	794.21	1007.31	889.47	731.47	439.72	381.73
<b>Cash Flow</b>						
Cash Flow from Operations	201.15	179.25	151.00	112.29	107.42	76.36
Cash Flow from Investing activities	-83.85	-49.42	-29.65	-40.44	-56.37	-35.20
Cash Flow from Finance activities	-98.94	-132.36	-116.71	-71.83	-56.75	-36.24
Free Cash flow	196.72	165.55	135.80	47.72	114.42	39.78
<b>Key Ratios</b>						
Debt to Equity(x)	0.00	0.00	0.00	0.00	0.00	0.00
Current Ratio(x)	4.31	1.56	1.68	1.92	5.60	3.47
ROCE (%)	<b>52.54</b>	46.04	53.67	49.69	45.08	42.51
RONW (%)	<b>35.11</b>	29.99	34.60	32.61	29.89	28.43
PBIDTM (%)	<b>44.16</b>	34.02	39.73	44.03	41.97	37.35
PATM (%)	<b>24.79</b>	19.49	23.34	26.58	24.75	20.85
Equity Dividend (%)	121.80	224.70	150.00	131.70	107.80	88.50

Source: Company, RHP, Ace Equity, AUM Research

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