

Computer Age Management Services Limited

Computer Age Management Services Ltd (CAMS) is India's largest registrar and transfer agent (RTA) of mutual funds with an aggregate market share of approximately 70% based on mutual fund average assets under management (AAUM) managed by its clients and fastest growing RTA for last 5 years. CAMS is responsible for entire back end work of its mutual fund clients i.e. from account creation to processing to redemption and also provides statutory statements, transaction origination, operations, investor & distributor services, risk management services and compliance services. For all the above service, CAMS charges fees of 0.036% (FY20) on AUM managed by its clients. All 41 mutual funds outsource back end/operational work to RTA.

Huge growth potential in Mutual Fund AUM to support CAMS' revenue: Over the past five years (FY15-20), equity AUM for the Indian MF industry has increased 2.7x from ₹3.24 lakh cr to ₹9 lakh cr. Further, overall AUM has nearly jumped 2.4x from ₹11.48 lakh cr to ₹27.14 lakh cr over the same period. There is a huge growth potential for MF industry as the penetration of mutual funds is low in India with an AUM/GDP ratio of 12% as of Dec 2019 vs. that of developed countries at >50%. Lower attraction in real estate by investors due to subdued returns coupled with lower inflation will direct investors from physical assets to financial savings, resulting in MF AUM to grow at a healthy rate. Given that CAMS' 87% revenue is linked to AUM growth, MF industry growth is positive for CAMS.

Leadership position in MF RTA business and foray in new growing business: CAMS is the largest RTA of mutual funds with an aggregate market share of 70%. 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. Most of the bank-led top mutual funds are CAMS' clients. Leveraging on current domain expertise, processes, and infrastructure, CAMS has also started to cater to AIFs, insurance companies, banks and NBFCs.

Healthy financials to support higher dividend payout: Revenue has grown at a steady CAGR of 13% over FY15-20. Its leadership position has helped to report a healthy EBIDTA margin of 41% for FY20. Return on equity (ROE) for FY20 was 34% and the last 3 years average ROE was 31.3%. For FY20, CAMS has registered dividend payout of 41%. Considering the ability to generate strong cash flow from operations, we expect the company would continue to pay a generous dividend to shareholders.

Outlook & Valuation: At the upper end of the IPO price band, it is offered at 34.6x its FY20 EPS and 11x its FY20 book value, demanding ₹6,000cr market cap, which we believe is reasonable. Given CAMS' leadership position, huge growth potential of MF industry, strong return ratios, asset-light business and higher dividend payout ratio, we are positive on this IPO and rate it as SUBSCRIBE.

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020	1FY21
Net Sales	642	694	700	149
% chg		8	1	-
Net Profit	146	131	173	41
% chg		(11)	33	-
EBITDA (%)	40	35	41	35
EPS (₹)	30	27	36	-
P/E (x)	41	46	35	-
ROE (%)	32	29	32	-

Note - Valuation done on pre IPO financials

SUBSCRIBE

Issue Open: Sep 21, 2020

Issue Close: Sep 23, 2020

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹48.8cr

Offer for Sale: **1.82cr Shares

Fresh issue: -

Post Eq. Paid up Capital: ₹48.8cr

Issue size (amount): *₹2,240cr - **₹2,242 cr

Price Band: ₹1,229-1,230

Lot Size: 12 shares and in multiples thereafter.

Post-issue implied mkt. cap: *₹5,996cr - **₹6,001cr

Promoters holding Pre-Issue: 43.50%

Promoters holding Post-Issue: 43.50%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	44%
Others	57%

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Company Background

Promoted by Great Terrain Investment Ltd (Affiliate of Warburg Pincus), Computer Age Management Services Limited (CAMS) was incorporated on May 25, 1988. CAMS is a technology-driven financial infrastructure and services provider to mutual funds and other financial institutions with over 2 decades of experience. CAMS is India's largest registrar and transfer agent of mutual funds with an aggregate market share of 70% based on mutual fund average assets under management (AAUM) managed by its clients and serviced by them during November 2019.

Its mutual fund clients include 4 of the 5 largest mutual funds as well as 9 of the 15 largest mutual funds based on AAUM during July 2020.

Exhibit 1: Key Performance Indicators

Particular	FY16	FY17	FY18	FY19	FY20	Q1FY21
Total AAUM of the mutual funds serviced (₹ in Cr)	793.15	1,029.36	1,375.85	1,584.12	1814.97	1743.33
Equity Oriented (₹ in Cr)	232.74	292.11	488.48	623.25	670.67	575.07
Number of transactions handled (in Cr)	11.52	15.18	25	31.29	32.84	7.59
Number of live folios (in Cr)	1.93	2.3	3.18	3.71	3.94	3.98
Number of total investor folios (in Cr)	4	4.4	5.48	6.36	7.09	7.18
Number of PAN accounts handled (in Cr)	0.72	0.87	1.24	1.48	1.59	1.6
Number of SIP transactions processed (in Cr)	6.32	8.39	13.22	19.17	23.75	5.85

Source: RHP

Key Management Personnel:

Anuj Kumar is the whole time Director and CEO of the company. He was previously associated with Godrej & Boyce Mfg. Co. Ltd., Blow Plast Limited, Escorts Finance Ltd, BillJunction Payments Ltd, IBM India Pvt. Ltd. and Concentrix Daksh Services India Pvt. Ltd. He joined the company in March, 2016.

Somasundaram M. is the Chief Financial Officer of the company. He joined the company on July 6, 2009.

Srikanth Tanikella is the Chief Operations Officer of the company. He joined the company on December 18, 2014.

Issue details

This IPO is purely on offer for sale and the issue is worth ₹2,242cr. Of this issue worth ₹22cr, 1,82,500 shares are reserved for employees of CAMS.

NSE Investment, an arm of NSE, will be the only selling shareholder under the IPO. Notably, the markets regulator in February had directed NSE to divest its entire 37.5% stake in CAMS within a year.

Exhibit 2: Pre and Post-IPO shareholding pattern

Particular	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoter	2,12,24,000	44	2,12,24,000	44
Institution	2,75,62,800	56	93,16,200	19
Public (OFS)			1,82,46,600	37
Total	4,87,86,800	100	4,87,86,800	100

Source: RHP Note, : Calculated on upper price band

Exhibit 3: Pre-Offer Equity Share capital

Share Holder	No Of share	% Stake
Great Terrain	2,12,24,000	43.5
NSE Investments	1,82,85,000	37.5
HDFC	29,20,724	6.0
HDFC Bank	16,23,708	3.3
HDB Trust	15,55,444	3.2
Faering Capital India Evolving Fund II	12,41,430	2.5
Acsys	9,44,724	1.9
Faering Capital India Evolving Fund III	7,08,970	1.5
Other	2,82,800	0.6
Total	4,87,86,800	100

Source:RHP

Objects of the offer

- The markets regulator in February had directed NSE to divest its entire 37.5% stake in CAMS within a year.
- To achieve the benefits of listing the Equity Shares on the Exchanges and to carry out offer for sale of equity shares

Risk

- 87% of the revenue comes from Mutual fund industry, hence, degrowth in AUM and decline in yield would impact the company's financials.
- Significant disruptions in CAMS' information technology systems or breach of data security could adversely affect business and reputation.

Income Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020	Q1FY21
Net Sales	642	694	700	149
% chg		8.1	0.9	
Total Expenditure	383	450	412	97
Personnel	226	275	258	65
Operating Exp	94	106	87	17
Others Expenses	63	70	68	16
EBITDA	258	244	287	51
% chg		(5.7)	17.9	
(% of Net Sales)	40.3	35.1	41.1	34.6
Depreciation & Amortisation	40	50	49	11
EBIT	218	193	239	41
% chg		(11.5)	23.6	
(% of Net Sales)	34.0	27.9	34.1	
Interest & other Charges	8	10	10	2
Other Income	16	18	22	15
(% of PBT)	7.2	9.0	8.7	
Recurring PBT	227	201	251	53
% chg		(11.3)	24.8	
Tax	80	70	77	12
(% of PBT)	35.4	34.8	30.8	23.4
PAT (reported)	146	131	173	41
(% of Net Sales)	22.8	18.9	24.8	27.5
Basic EPS (₹)	30.0	26.8	35.6	8.2

Balance Sheet

Y/E March (₹ cr)	FY2018	FY2019	FY2020	Q1FY21
SOURCES OF FUNDS				
Equity Share Capital	49	49	49	48.8
Reserves & Surplus	402	401	491	479
Shareholders Funds	451	449	540	528
Financial Liability	87	84	77	65
Provision	57	71	74	75
Total Liabilities	595	605	691	668
APPLICATION OF FUNDS				
Net Block	177	168	154	136
Intangible assets	147	152	145	142
Investments	228	242	318	329
Current Assets	123	150	177	218
Inventories	-	-	-	-
Sundry Debtors	23	27	32	44
Cash	28	44	51	84
Loans & Advances	0.5	0.7	0.6	0.8
Other Assets	72	79	94	90
Current liabilities	103	132	112	168
Net Current Assets	20	18	65	50
Deferred Tax Asset	6	2	0	1
Other Asset	17	22	9	10
Total Assets	594	605	691	668

Cashflow Statement

Y/E March (₹s cr)	FY2018	FY2019	FY2020	Q1FY21
Profit before tax	227	201	251	53
Depreciation	40	50	49	11
Change in Working Capital	(5)	19	(10)	(6)
Interest / Dividend (Net)				
Direct taxes paid	(89)	(76)	(83)	(11)
Others	(11)	(8)	(5)	(9)
Cash Flow from Operations	162	187	201	39
(Inc.)/ Dec. in Fixed Assets	(43)	(35)	(15)	(1)
(Inc.)/ Dec. in Investments	24	4	(69)	3
Cash Flow from Investing	(19)	(31)	(84)	1
Issue of Equity	0	0	0	2
Inc./(Dec.) in loans	(14)	(16)	(18)	(5)
Dividend Paid (Incl. Tax)	(116)	(132)	(72)	(54)
Interest / Dividend (Net)	(8)	(10)	(9)	(2)
Cash Flow from Financing	(138)	(158)	(99)	(60)
Inc./(Dec.) in Cash	5	(3)	18	(20)
Opening Cash balances	3	7	5	23
Closing Cash balances	7	5	23	3

Source: Company

Key Ratio

Y/E March	FY2018	FY2019	FY2020
Valuation Ratio (x)			
P/E (on FDEPS)	41.0	45.8	34.6
P/CEPS	31.9	32.8	26.8
P/BV	13.3	13.4	11.1
Dividend yield (%)	1.9	2.2	1.2
EV/Sales	9.1	8.4	8.2
EV/EBITDA	22.6	23.8	19.9
EV / Total Assets	9.8	9.6	8.3
Per Share Data (₹)			
EPS (Basic)	30.0	26.8	35.6
EPS (fully diluted)	30.0	26.8	35.6
Cash EPS	38.2	37.2	45.5
DPS	23.9	27.1	14.7
Book Value	92.5	92.1	110.6
Returns (%)			
ROCE	40.6	36.2	38.7
Angel ROIC (Pre-tax)	77.4	78.0	96.1
ROE	32.4	29.1	32.2
Turnover ratios (x)			
Asset Turnover (Gross Block)	2.0	2.2	2.3
Inventory / Sales (days)	-	-	-
Receivables (days)	4	4	5
Payables (days)	19	18	19
Working capital cycle (ex-cash) (days)	(16)	(15)	(14)

Valuation done on upper price band

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