

IPO Note

20th September 2020

Company Overview

Computer Age Management Services Limited ("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 July 2020, according to the CRISIL Report. Over the last 5 years, CAMS has grown its market share from 61% during March 2015 to 69% during March 2020, based on AAUM serviced, according to the CRISIL Report. 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, according to the CRISIL Report.

Objects of the issue

The objects of the Offer are :

- A) To achieve the benefits of listing the Equity Shares on the Stock Exchanges.
B) General Corporate purposes.

Investment Rationale

Largest Infrastructure and Services Provider in a Large and Growing Mutual Funds Market

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.

Scalable Technology Enabled Ecosystem

The use of advanced technology to innovate and improve its services for not only the clients but also their investors, their distributors, channel providers and regulators is embedded in the culture of the company. Its commitment to client and investor service is evidenced by a satisfaction rate of over 95% as of March 31, 2020, in the SEBI mandated investor satisfaction survey. Further, SEBI complaints, as a percentage of transactions handled, reduced from 0.015% in the financial year 2015 to 0.004% in the financial year 2020. Its IT team comprising of over 606 qualified professionals as of June 30, 2020 manage a comprehensive proprietary IT infrastructure, develop innovative products and ensure systems and data security, in addition to offering 24x7 support to its clients. Further, they offer many of its services online and through its mobile device applications, for investors, their clients, their distributors and their channel providers. 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.

Valuation and Outlook

CAMS is technology-driven financial infrastructure and service provider in India. With the initiative of creating an end-to-end value chain of services, they have grown their service offerings and currently provide a comprehensive portfolio of technology based services, such as transaction origination interface, transaction execution, payment, settlement and reconciliation, dividend processing, investor interface, record keeping, report generation, intermediary empanelment and brokerage computation and compliance related services, through its pan-India network to its mutual fund clients, distributors and investors. On valuation front, At upper end of this price band, company is valued at P/E of 34.6x ratio based on diluted EPS for FY 2020 Considering the positive sentiments around digital tech platform in current scenario. we believe listing gains can be possible .Therefore, We give ***SUBSCRIBE*** rating to this IPO issue.

Issue Details

Offer Period	Sept 21st - 23rd Sept 2020
Price Band	INR.1229 to INR.1230
Bid Lot	12
Listing	BSE&NSE
Issue Size (no. of shares in mn)	18.2
Issue Size (Rs. in bn)	22
Face Value	10

Issue Structure

QIB	50%
Retail	35%
HNI	15%
BRLM	Kotak Mahindra Capital, HDFC Bank, ICICI Securities,
Registrar	Link Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter	43.5	31.0
Public	56.5	69.0
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Revenue				
Revenue from operations	6,415	6,936	6,996	1,486
Total revenue	6,415	6,936	6,996	1,486
Expenses				
Employee benefit expenses	2,263	2,746	2,580	645
Other expenses	1,568	1,754	1,544	326
Total Operating expenses	3,831	4,501	4,124	972
EBITDA	2,584	2,436	2,873	514
Depreciation and amortisation expense	402	504	485	107
Other income	163	182	217	148
EBIT	2,345	2,113	2,605	556
Finance costs	79	105	97	23
PBT	2,266	2,009	2,508	533
Current tax	845	755	688	139
Deferred Tax charge	(42)	(55)	85	(14)
Total tax	803	700	773	124
PAT	1,463	1,309	1,735	408
Diluted EPS	30.0	26.8	34.6	8.4

Source: Company, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Cash Flow from operating activities	1,619	1,868	2,012	390
Cash flow from investing activities	(189)	(312)	(839)	11
Cash flow from financing activities	(1,384)	(1,581)	(989)	(604)
Net increase/(decrease) in cash and cash equivalents	46	(25)	184	(203)
Cash and cash equivalents at the beginning of the period	28	74	49	232
Cash and cash equivalents at the end of the period	74	49	232	29

Source: Company, BP Equities Research

Computer Age Management Services Ltd

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Balance Sheet (In mn)

Particulars	FY18	FY19	FY20	3MFY21
Liabilities				
Share Capital	488	488	488	488
Reserve & Surplus	3,948	3,925	4,911	4,794
Non-controlling interests	77	82	-	-
Net worth	4,512	4,494	5,398	5,282
Other financial liabilities	865	840	772	646
Provisions	566	711	735	750
Total Non Current Liabilities	1,431	1,551	1,507	1,395
Trade payables	336	350	360	436
Other financial liabilities	258	248	259	427
Other current liabilities	349	530	397	672
Current tax liabilities (net)	11	19	-	-
Short Term Provisions	80	171	104	143
Total Current Liabilities	1,034	1,318	1,120	1,677
Total liabilities	6,977	7,363	8,025	8,355
Assets				
Tangible Assets	700	710	653	633
Right of Use Assets	1,069	972	886	726
Intangible Assets	1,466	1,518	1,447	1,425
Other financial assets	155	137	128	136
Deferred tax Assets (net)	138	202	83	97
Other non-current assets	59	18	3	3
Total Non current assets	3,588	3,558	3,199	3,020
Trade Receivables	225	270	320	436
Cash and Bank Balances	277	435	507	847
Other financial assets	6	10	64	59
Current Tax Assets (Net)	-	-	150	120
Investment	2,161	2,305	3,056	3,155
Other current assets	722	785	729	717
Total Current Asset	3,391	3,806	4,826	5,335
Net Current Assets	2,357	2,488	3,706	3,657
Total Assets	6,979	7,363	8,025	8,356

Source: Company, BP Equities Research

Key Risks

The Company is having certain contingent liabilities that have not been provided for in its financial statements, which, if they materialize, may adversely affect the Company's results of operations, financial condition and cash flows.

Company derives a significant portion of the revenues from a few clients and the loss of one or more such clients could adversely affect its business and prospects.

Company is in the process of winding down its German operations and its banking and non-banking services business, which may adversely affect its business and results of operations.



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