

## COMPUTER AGE MANAGEMENT SERVICES LTD

Recommendation: **SUBSCRIBE**

September 17, 2020

**Details of the Issue**

Price Band	₹ 1,229 - ₹ 1,230
Issue Size	₹ 2,242 Cr
Opening Date	Sep 21, 2020
Closing Date	Sep 23, 2020
Face Value	₹10
Bid Lot	12
Listing on	BSE

**Objects of the Issue**

- (i) To facilitate OFS for selling shareholders
- (ii) Achieve the benefits of listing the equity shares

**Lead Managers**

Kotak Mahindra Capital, HDFC Bank, ICICI Securities, Nomura Financial

**Registrar**

Link Intime India Pvt. Ltd.

**Investment Details**

No. of shares at cut-off	156
Max. Amount to be paid (₹)	₹ 1,91,880

**Offer**

Fresh Issue	-
OFS *	₹ 2,242 Cr

\* NSE Investments is offloading 18,246,600 shares out of its total holding of 18,285,000 share due to regulatory compliance. There is no fresh issue of equity shares.

**Minimum Bid**

Quantity	12
Amount	₹ 14,760

Source: RHP, GEPL Capital Research

**Company Background**

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.

Mutual fund clients include 4 of the 5 largest mutual funds as well as 9 of the 15 largest mutual funds by AAUM as on July 2020.

CAMS offers an integrated and customized portfolio of services through its pan-India physical network comprising 271 service centres spread over 25 states and 5 union territories as of June 30, 2020, and which are supported by call centres in 4 major cities, 4 back offices.

With the initiative of creating an end-to-end value chain of services, CAMS has grown its 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.

**Strengths & Strategies****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 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.

**Long standing relations with well established players**

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**

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.

**Maintain the Leadership Position by enhancing Service Offerings to Mutual Fund Clients**

CAMS has been focused on adding services for its existing mutual fund clients relating to servicing of investors, interface with investors, distributors and other stakeholders, risk management, process automation, data analytics and business intelligence in order to grow and maintain its share of business and revenues from its mutual fund clients.

They also recently launched edge360, a tool for distributors to enable the tracking of fees for transactions and the ability to view, track and manage portfolios.

## Valuation & Recommendation

The industry in which CAMS operates, of RTAs, is a 2 player market, with CAMS dominating the major (~70%) of the market. The entry barriers are very high due to the sticky nature of the clients (high costs of switching) and lack of the ability of new entrants to scale given the high degree of compliance required in operations.

Increased access to mutual funds with entry of more retail investors augur well for the company for the next five years. Management expects revenues to grow at CAGR of 12 -13% over the next 5 years.

The proposed issue size of CAMS' IPO is Rs. 2,244 cr. NSE Investments is offloading 18,246,600 shares out of its total holding of 18,285,000 share due to regulatory compliance. The offer is priced at a TTM PE of ~ 34x on the upper price of band - given the client stickiness, strong promoter background and experience, growth in retail participation and equity portion of the AUM, provide adequate revenue visibility. The company follows a pricing model as a % of AUM for an aggregate of all services which also illustrates the bargaining power. We expect CAMS to further gain share given the innovation in offerings.

We recommend a SUBSCRIBE rating on the IPO, not just for listing gains but as a long term investment bet as well.

## Financial Snapshot

Particulars (₹ crore)	Q1FY21	FY20	FY19	FY18
Net Worth	528.2	539.81	441.29	443.52
Revenue from Operations	148.63	699.63	693.64	641.54
EBITDA as stated	45	260.66	217.31	240.25
Profit Before Tax	53.27	250.78	200.87	226.58
Profit after Tax	40.83	173.46	130.9	146.31
PAT as % to revenue	27%	25%	19%	23%
EPS (₹)	8.37	35.57	26.75	29.93
RoNW (%)	31%	32%	30%	33%
Net Asset Value (₹)	108.27	110.71	90.5	90.96
Dividend (%)	-	2.247	1.5	1.5

Q1FY21 EPS not annualized

Source: RHP, GEPL Capital Research

## Key Performance Indicators

	Jun-20	FY2020	FY2019	FY2018	FY2017	FY2016
Total AAUM of the mutual funds serviced (₹ in Cr)	1743.33	1814.97	1584.12	1375.85	1029.36	793.15
Equity Oriented* (₹ in Cr)	575.07	670.67	623.25	488.48	292.11	232.74
Number of transactions handled (in Cr)	7.59	32.84	31.29	25	15.18	11.52
Number of live folios (in Cr)	3.98	3.94	3.71	3.18	2.3	1.93
Number of total investor folios (in Cr)	7.18	7.09	6.36	5.48	4.4	4
Number of PAN accounts handled (in Cr)	1.6	1.59	1.48	1.24	0.87	0.72
Number of SIP transactions processed (in Cr)	5.85	23.75	19.17	13.22	8.39	6.32

## NOTES

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