

CMP Rs.1,230 (20.1x FY23 P/E)
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Issue Details

Listing	BSE
Open Date	21 Sep 2020
Close Date	23 Sep 2020
Price Band	Rs.1,229-1,230
Market Lot	12 shares
Minimum Lot	1 Lot

Indian mutual fund (MF) industry recorded average AUM (AAUM) CAGR of 18.3% from Rs.11.9 trillion to Rs.27.6 trillion during FY15-20. This growth was attributed to the higher financial savings along with investor awareness of financial products. The industry experienced a slowdown in Q1FY21 (QoQ decline of 10.8% in AAUM) on account of the nationwide lockdown and a corresponding fall in the capital market. However, economic recovery and a rising share of financial savings are suggestive of growth coming back. As the largest RTA (registrar & transfer agent), CAMS has a strong hold on the MF servicing business and is well positioned to benefit significantly.

Issue Structure

Offer for sale	100%
Fresh Issue	0%
Issue Size	Rs.2,244 cr
OFS no of shares	18,246,600
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

During FY15-20, CAMS's overall revenue grew at a CAGR of 12.8% and we expect it to increase at a CAGR of 12.1% to Rs.985 cr by FY23, driven by strong growth in AAUM (13.6% CAGR by FY23). Over the same period, the EBITDA and net profit are estimated to grow at a CAGR of 14.8% and 19.9% to Rs.434 cr and Rs.299 cr, respectively. With strong profitability, return ratios RoE and RoCE are expected to improve by 636 bps and 547 bps to 38.5% and 36.1%, respectively, during FY20-23E. Given the high operating leverage and comfortable cash position (cash & equivalents of Rs.400 cr as on 30th Jun 2020), we anticipate strong pay-outs to shareholders over the forecast period.

Shareholding Pattern

Shareholder	%	%
Promoters	43.5	43.5
Institutional	56.5	37.8
Public	0.0	18.7

We are optimistic given:

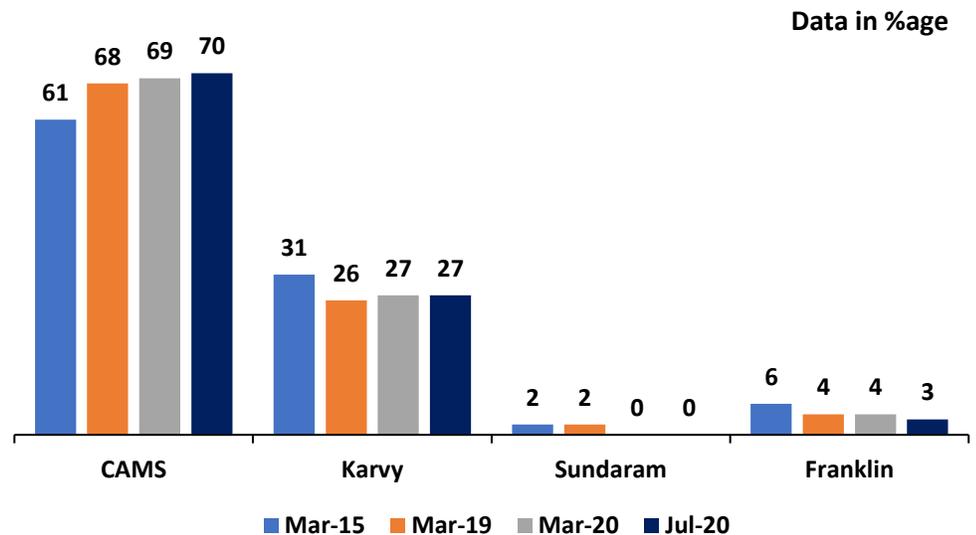
- The strong reach and market share, CAMS services ~70% of the industry AAUM through its wide network of 271 service centres across India. As on 30th Jun 2020, CAMS's average service AUM was Rs.17.4 trillion, of which 33% was equity oriented (increased from 27% in FY15) while the rest was non-equity.

We are expecting CAMS average AUM to grow at a CAGR of 13.6% to Rs.26.6 trillion during FY20-23E, while the share of equity AUM is estimated to expand to 40%. Rise in overall AUM and increase in the proportion of equity is estimated to deliver a revenue CAGR of 13.1% to Rs.892 cr from this segment by FY23.

Key Financials (in ₹ crores)

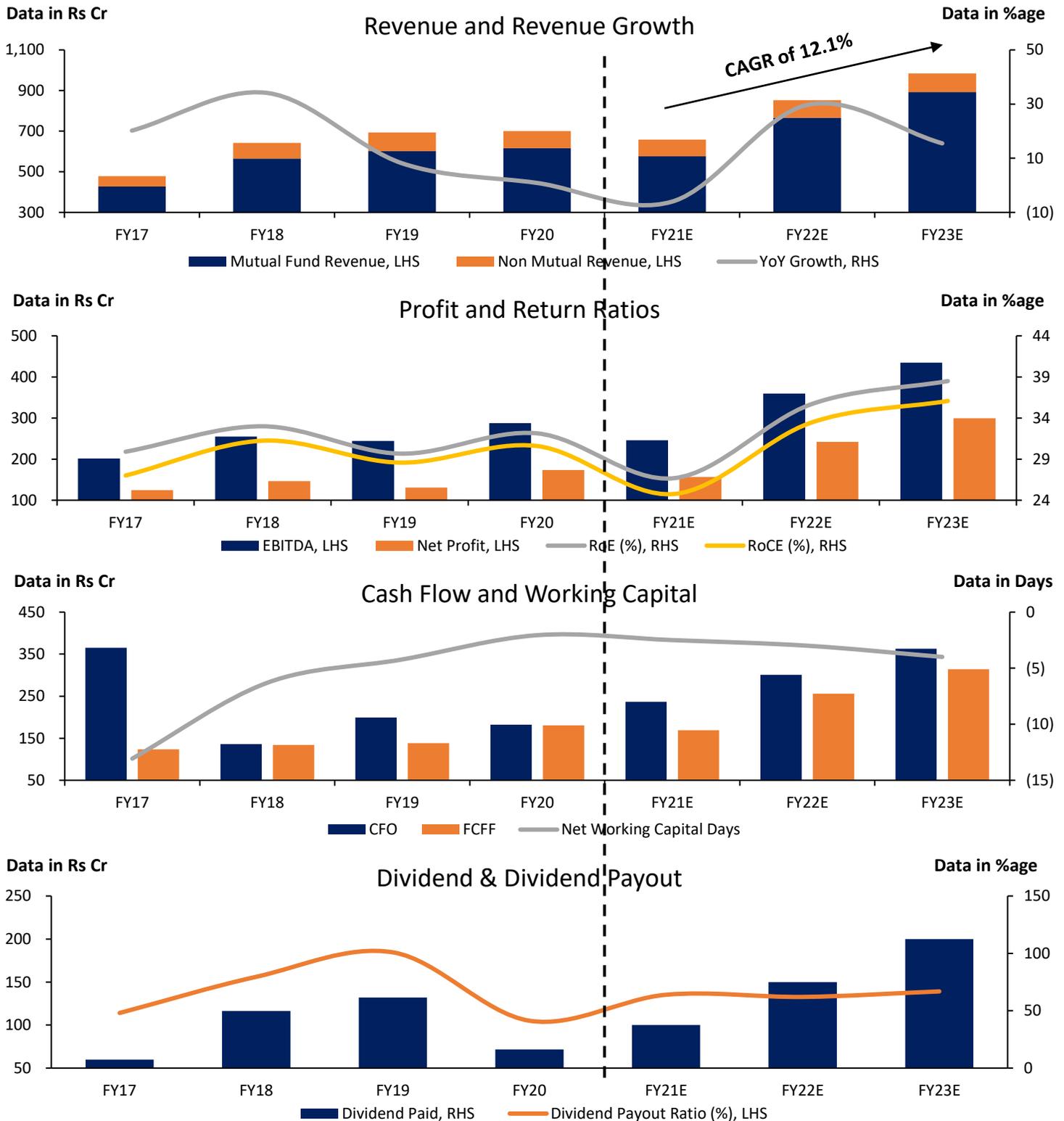
	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)
FY19	694	244	131	35.2	18.9	26.8	90.5	29.7	28.6	45.8	13.6
FY20	700	287	174	41.1	24.8	35.6	110.6	32.1	30.6	34.6	11.1
FY21E	658	246	156	37.4	23.8	32.1	120.2	26.7	24.7	38.4	10.2
FY22E	853	359	242	42.1	28.4	49.5	139.0	35.7	33.4	24.8	8.9
FY23E	985	434	299	44.1	30.4	61.3	159.3	38.5	36.1	20.1	7.7

India MF RTA market share



Source: Company Reports

- CAMS subsidiary Sterling Software Pvt Ltd (SSPL) is a technology solution company engaged in developing software for capital markets. Its 'Investrak' solution is a widely accepted software in the RTA business and it services ~69% AAUM of the Indian MF industry. It largely caters to CAMS and also provides technology solutions to international asset managers.
- Through its subsidiary, CAMS Insurance Regulatory Services Ltd (CIRSL), CAMS assists insurance companies with processing of applications, back office operations, physical infrastructure and dematerialization of insurance policies. The acceptance of this product in the Indian market is very low and the management is expecting it to take 4-5 years to gain traction
- CAMS also provides fund accounting services to AIFs. Currently it caters to 77 AIF clients with an AUM of Rs.160 bn. The revenue from this segment is negligible, but the growth prospects are very high. The management is expecting 30-35% growth in AUM by FY24.



Source: Company Reports & Ventura Research

Segmental performance, profitability and other key parameters

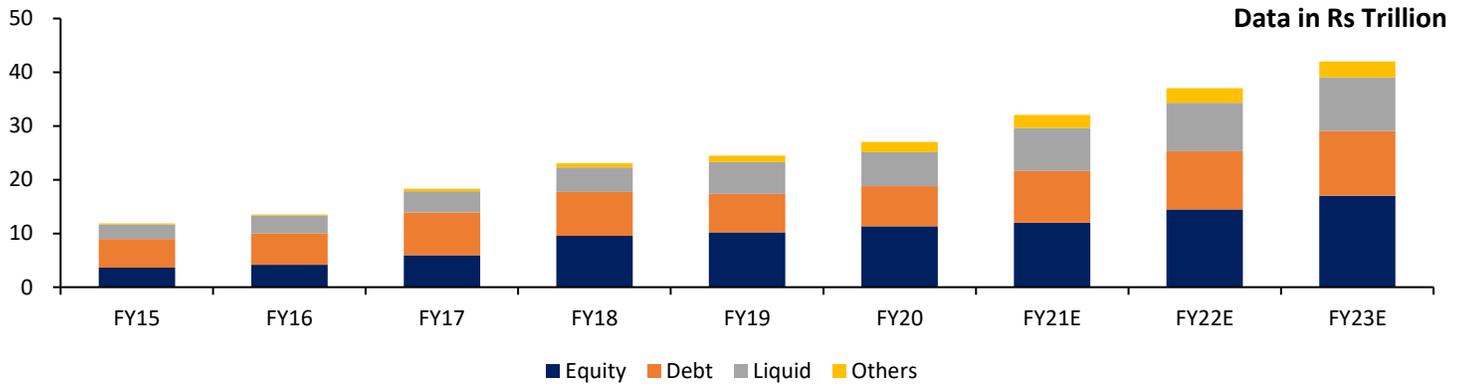
Figures in Rs Cr	FY18	FY19	Q1FY20	FY20	Q1FY21	FY21E	FY22E	FY23E	CAGR % (FY20-23E)
CAMS Service AAUM	1,375,852	1,584,120		1,814,968	1,743,331	1,976,000	2,328,000	2,655,000	13.5
- CAMS Service Equity AAUM	488,475	623,251		670,667	575,065	720,000	915,000	1,085,000	17.4
- CAMS Service Non Equity AAUM	887,377	960,869		1,144,301	1,168,266	1,256,000	1,413,000	1,570,000	11.1
Mutual Fund Revenue	565	601	151	616	134	577	777	904	13.6
- Data Processing Revenue	494	535	136	553	126	531	699	813	13.7
- Customer Service Revenue	71	66	15	63	8	46	78	90	13.0
Non Mutual Fund Revenue	77	93	24	84	15	81	87	93	3.5
Total Revenue	642	694	175	700	149	657	864	996	12.5
YoY Growth (%)	34.1	8.1	0.0	0.9	(15.1)	(6.0)	31.4	15.3	
EBITDA	255	244	68	287	51	246	370	446	15.8
EBITDA Margin (%)	39.7	35.2	38.9	41.1	34.6	37.4	42.9	44.7	
EBIT	215	193	56	239	41	193	314	386	17.4
EBIT Margin (%)	33.4	27.9	32.2	34.1	27.4	29.3	36.3	38.7	
Net Profit	146	131	40	173	41	156	250	308	21.1
Net Margin (%)	22.8	18.9	22.9	24.8	27.5	23.8	28.9	30.9	
Return on Equity (%)	33.0	29.7		32.1		26.7	36.4	38.8	
Return on Capital Employed (%)	31.2	28.6		30.6		24.7	34.2	36.4	
Return on Invested Capital (%)	69.4	75.4		90.0		119.4	254.1	491.4	
EPS (Rs)	30.0	26.8	8.2	35.6	8.4	32.1	51.2	63.1	
P/E Ratio (X)				34.6		38.4	24.0	19.5	
BVPS (Rs)	91.0	90.5	94.0	110.7	108.3	120.2	140.7	162.8	
P/B Ratio (X)				11.1	11.4	10.2	8.7	7.6	

Source: Company Reports & Ventura Research

Key investment highlights:

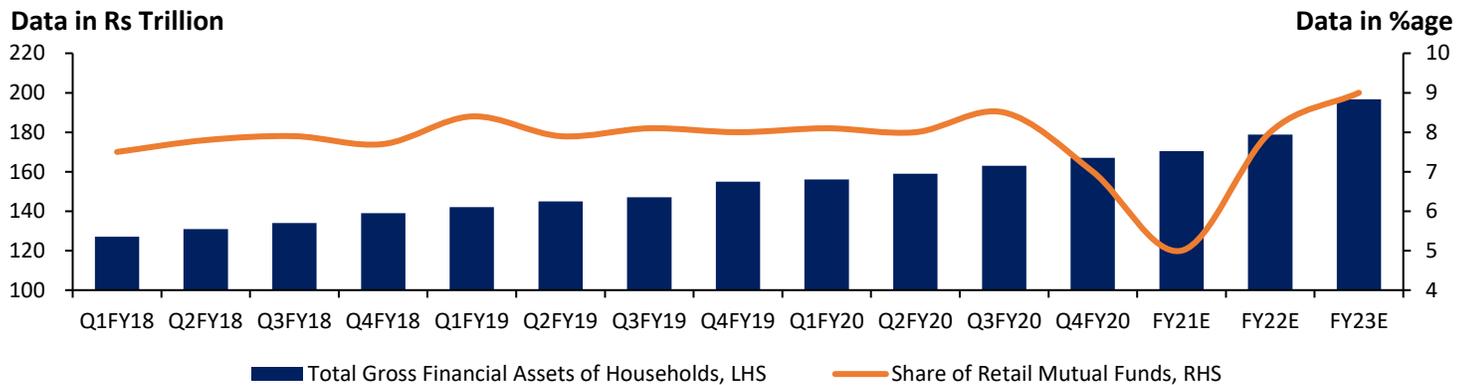
- Holds 70% market share (in term of AAUM) as a service provider in the Indian mutual fund space.
- Largest pan India presence with 271 service centres spread over 25 states & 4 UTs.
- Developed a future-ready proprietary platform to cater to the increasing number of investors, assets and mutual fund trading volumes of more than 1 million transactions daily.
- Headed by an experienced management team with an average work experience of over 27 years.
- Comprises marquee names as its shareholders – Great Terrain (an affiliate of Warburg Pincus), NSE Investments, HDFC, HDFC Bank, etc.

MF AUM – Consistently improved and the trend is expected to continue



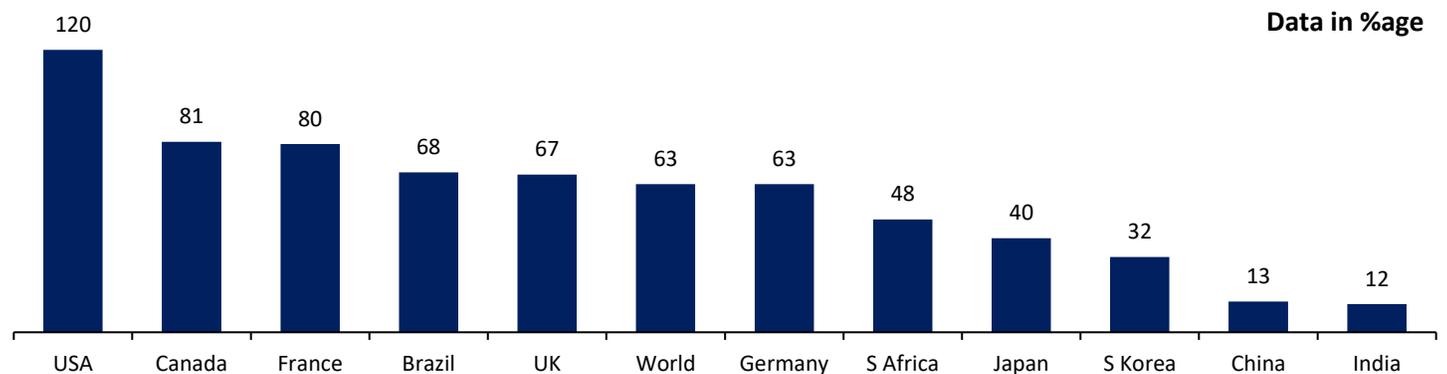
Source: Company Reports & Ventura Research

MF in total household savings in India – Gradually improved over time



Source: Company Reports & Ventura Research

AUM to GDP (CY19) – Penetration is significantly lower than the world average



Source: Company Reports

Issue Structure and Offer Details

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 price band for the issue is in the range of Rs.1,229-1,230 per share, and the bid lot is 12 shares and multiple thereof.

Issue Structure

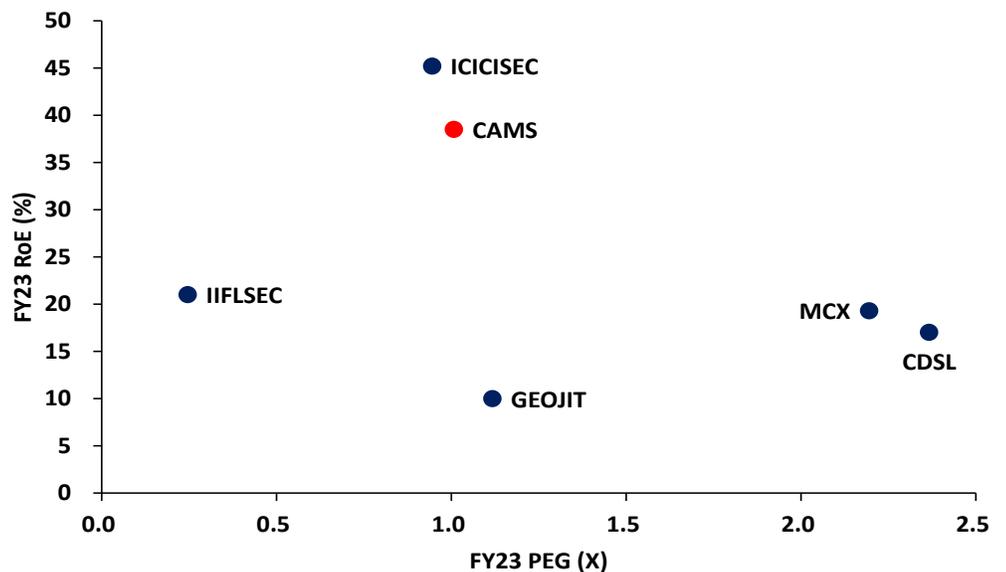
Issue Structure	No of Shares	Offer Details
Authorized Shares	50,250,000	
Outstanding Shares (@ Face Value of Rs.10)	48,786,800	
Total OFS Shares	18,246,600	Seller is NSE Investments
- Employee Reservation Portion	182,500	
- Net OFS for Secondary Market	18,064,100	
- Qualified Institutional Buyers	Not more than 9,032,050	Not more than 50% of Net OFS
- Non Institutional Investors	Not less than 2,709,615	Not less than 15% of Net OFS
- Retail Investors	Not less than 6,322,435	Not less than 35% of Net OFS

Source: Company Reports & SEBI

Valuation

At the higher price band of Rs.1230, CAMS' stock is trading at FY23E P/E of 20.1x

Financial Intermediaries peer comparison



Key management personnel

Key Person	Designation	Description
Mr Anuj Kumar	Chief Executive Officer	He joined CAMS as a Chief Operating Officer – Asset Management Services on March, 2016 and was appointed as our whole time Director and CEO with effect from November 6, 2018. He joined CAMS after 25 years of professional experience with Godrej & Boyce Mfg. Co Ltd, Blow Plast Limited, Escorts Finance Ltd, BillJunction Payments Ltd, IBM India Private Ltd and Concentrix Daksh Services India Private Ltd. He holds a Bachelor degree in Mechanical Engineering from Birla Institute of Technology, Ranchi and a PGDM from IIM, Kolkata.
Mr M Somasundaram	Chief Financial Officer	He joined CAMS as a General Manager on July 6, 2009 and was promoted to Chief Financial Officer with effect from April 1, 2018. In addition to heading the Finance function, Somasundaram also oversees the Front office operations and Human Resources function. He joined CAMS after 25 years of experience with SRF Ltd, Henkel SPIC India Ltd, Pond's India Ltd, Hindustan Lever Ltd and TVS Electronics Ltd. Somasundaram is a qualified Cost Accountant and Company Secretary.
Mr Srikanth Tanikella	Chief Operations Officer	He joined CAMS as a Senior Vice President on December 18, 2014 and was promoted to Chief Operations Officer with effect from April 6, 2018. He joined CAMS after 15 years of professional experience with Accenture India Private Ltd, Infosys BPO Ltd, Infosys Technologies Ltd, Global e:Business Operations Private Ltd and Williams Lea India Pvt Ltd. He had been the COO of Williams Lea India. He holds a Bachelor degree in Chemical Engineering from IIT, Delhi and a PGDM from IIM, Kolkata.
Mr Ravi Kethana	Chief Platform Officer	He joined CAMS on December 10, 2019. Ravi provides strategic direction and leadership to the Technology Infrastructure team & Product Management Group in CAMS and to Sterling Software. He joined CAMS after 29 years of professional experience in the IT sector with TCS & Wipro. He holds a Bachelor degree in Technology (Electronics & Communication Engineering) from Jawaharlal Nehru Technological University and a Master degree in Technology (Electronics) from IT-BHU.

Source: Company Reports

Financial Statements

Figures are in Rs Cr	FY19	FY20	FY21E	FY22E	FY23E	Figures are in Rs Cr	FY19	FY20	FY21E	FY22E	FY23E
Income Statement						Per Share Data (Rs)					
Net Revenue	693.6	699.6	657.5	852.5	984.6	Adjusted EPS	26.8	35.6	32.1	49.5	61.3
<i>YoY Growth (%)</i>	<i>8.1</i>	<i>0.9</i>	<i>(6.0)</i>	<i>29.7</i>	<i>15.5</i>	Adjusted Cash EPS	37.2	45.5	43.0	61.1	73.6
Total Expenditure	449.8	412.4	411.6	493.3	550.2	Dividend Yield (%)	2.2	1.2	1.7	2.5	3.3
<i>YoY Growth (%)</i>	<i>16.3</i>	<i>(8.3)</i>	<i>(0.2)</i>	<i>19.8</i>	<i>11.5</i>	FCFF Yield (%)	2.3	3.0	2.8	4.3	5.2
EBITDA	243.9	287.3	245.9	359.3	434.4	Adjusted Book Value per Share	90.5	110.6	120.2	139.0	159.3
<i>Margin (%)</i>	<i>35.2</i>	<i>41.1</i>	<i>37.4</i>	<i>42.1</i>	<i>44.1</i>	Debt Burden					
Depreciation	50.4	48.5	53.2	56.5	59.8	Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
<i>Depreciation to Gross Block (%)</i>	<i>14.5</i>	<i>13.5</i>	<i>13.7</i>	<i>13.5</i>	<i>13.3</i>	Net Debt to Equity	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)
EBIT	193.5	238.8	192.7	302.8	374.5	Net Debt to EBITDA	(1.1)	(1.2)	(1.9)	(1.6)	(1.7)
<i>Margin (%)</i>	<i>27.9</i>	<i>34.1</i>	<i>29.3</i>	<i>35.5</i>	<i>38.0</i>	Return Ratios					
Other Income	17.9	21.7	25.0	30.2	35.2	Return on Equity (%)	29.7	32.1	26.7	35.7	38.5
Finance Cost	10.5	9.7	10.0	10.0	10.0	Return on Capital Employed (%)	28.6	30.6	24.7	33.4	36.1
<i>Interest Coverage</i>	<i>18.5</i>	<i>24.6</i>	<i>19.3</i>	<i>30.3</i>	<i>37.5</i>	Return on Invested Capital (%)	75.4	90.0	119.4	244.9	475.9
PBT	200.9	250.8	207.7	323.0	399.7	Working Capital					
<i>Margin (%)</i>	<i>29.0</i>	<i>35.8</i>	<i>31.6</i>	<i>37.9</i>	<i>40.6</i>	Receivable Days	14	17	16	15	14
Tax	70.0	77.3	51.3	81.3	100.6	Payable Days	18	19	19	18	18
<i>Tax Rate (%)</i>	<i>34.8</i>	<i>30.8</i>	<i>24.7</i>	<i>25.2</i>	<i>25.2</i>	Net Working Capital Days	(4)	(2)	(3)	(3)	(4)
PAT	130.9	173.5	156.4	241.7	299.1	Valuation Ratios					
<i>Margin (%)</i>	<i>18.9</i>	<i>24.8</i>	<i>23.8</i>	<i>28.4</i>	<i>30.4</i>	P/E	45.8	34.6	38.4	24.8	20.1
Min Int/Share of Associates	0.0	0.0	0.0	0.0	0.0	P/BV	13.6	11.1	10.2	8.9	7.7
Net Profit	130.9	173.5	156.4	241.7	299.1	Cash Flow Statement					
<i>Margin (%)</i>	<i>18.9</i>	<i>24.8</i>	<i>23.8</i>	<i>28.4</i>	<i>30.4</i>	Profit Before Tax	200.9	250.8	207.7	323.0	399.7
Balance Sheet						Adjustments	71.2	12.9	79.6	56.5	59.8
Share Capital	48.8	48.8	48.8	48.8	48.8	Change in Working Capital	(3.1)	(4.1)	0.6	2.5	3.8
Total Reserves	392.5	491.1	537.5	629.2	728.3	Less: Tax Paid	(70.0)	(77.3)	(51.3)	(81.3)	(100.6)
Shareholders' Fund	441.3	539.8	586.3	678.0	777.1	Cash Flow from Operations	199.0	182.3	236.5	300.7	362.7
Minority Interest	8.3	0.0	0.0	0.0	0.0	Net Capital Expenditure	(34.9)	(29.2)	(30.0)	(30.0)	(30.0)
Deferred Tax Liability (Net)	(20.2)	(8.3)	(9.7)	(9.7)	(9.7)	Change in Investment Activities	(5.7)	(64.6)	(84.1)	(40.0)	(40.0)
Other Non Current Liabilities	84.0	77.2	64.6	64.6	64.6	Cash Flow from Investing	(40.6)	(93.8)	(114.1)	(70.0)	(70.0)
Long Term Provisions	71.3	73.5	75.0	75.0	75.0	Proceeds from Equity Issues	0.0	0.0	1.6	0.0	0.0
Total Liabilities	584.6	682.2	716.0	807.8	906.9	Dividend & DDT	(132.1)	(71.6)	(100.0)	(150.0)	(200.0)
Gross Block	348.5	359.0	389.0	419.0	449.0	Less: Finance Cost	(10.5)	(9.7)	(10.0)	(10.0)	(10.0)
Less: Accumulated Depreciation	125.7	149.1	192.2	238.7	288.6	Cash Flow from Financing	(142.6)	(81.3)	(108.4)	(160.0)	(210.0)
Net Block	222.9	209.9	196.8	180.2	160.4	Net Cash Flow	15.8	7.1	14.1	70.7	82.7
Right of use assets	97.2	88.6	78.6	68.6	58.6	Opening Cash Balance	27.7	43.5	50.6	64.7	135.5
Non Current Investments	2.0	0.5	0.6	0.6	0.6	Closing Cash Balance	43.5	50.6	64.7	135.5	218.2
Long Term Loans & Advances	12.7	12.6	13.3	13.3	13.3						
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0						
Net Current Assets	249.8	370.6	426.9	545.1	674.0						
Total Assets	584.6	682.2	716.0	807.8	906.9						

Source: Company Reports & Ventura Research

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