

# CAMS

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## One-of-its-kinds

### Our View

Computer Age Management Services (CAMS) provides a good investment option in the service provider space to the Mutual Fund, Insurance, AIF and other financial services industries. CAMS would be one-of-its-kinds stock with market leadership in the registrar & transfer agent (RTA) solutions space to the mutual fund industry (87% of revenue). This business has strong barriers-to-entry created by CAMS given its end-to-end solutions, in-house tech platforms and financial infrastructure. This has enabled it to deliver a superior RoE of 30%+ over FY18-20 with a net-cash B/S.

### About the offer

The CAMS's IPO is of 18.24mn shares is a 100% OFS by NSE Investments Ltd through which it is almost selling its 37.5% stake. The price band for the issue is Rs1229-1230 aggregating to ~Rs22.4 bn.

### Rationale

**Industry:** CRISIL forecast's the mutual fund RTA business to grow at a CAGR of 15% over FY20-25 post a CAGR of 17% over FY15-20. Further, given the significant under penetration of Insurance, AIF and other financial services the headroom for growth for solutions provider like CAMS is significant.

**Company:** CAMS is a technology-driven financial infrastructure and services provider to mutual funds and other financial institutions. It is the largest and end-to-end RTA for mutual funds, with ~70% market share in-terms of average asset under management (AAUM) as of July 2020. It services 4 out of the five largest mutual funds as well as 9 out of the 15 largest mutual funds based on AAUM as of July-20. It has successfully leveraged domain expertise, processes and infrastructure to cater to MFs, AIFs, insurance companies, banks and NBFCs. For future growth, while CAMS can continue to leverage its market leadership and client portfolio in the mutual fund space, Insurance repository services and services to AIFs can are still at the inflection point and can provide strong uptick to CAMS's growth. CAMS grew its revenue/EBITDA/PAT by 4%/4%/9% CAGR respectively over FY18-20. However, it is a high margin business (EBITDA/PAT margin of 41%/25%), RoE of 32%, net cash B/S.

**Valuation:** At an upper price band of Rs 1230, the company is valued at 35x PE on FY20 EPS. Given the differentiated business model, strong growth opportunities and strong RoE/FCF profile we are positive on CAMS's future growth prospects and recommend subscribe.

<b>Issuer:</b>	Computer Age Management Services Ltd.
<b>Transaction Type</b>	Fresh Issue of 18.24 mn equity shares (Face value Rs.10 each)
<b>Issue Open / Close</b>	21-Sep-2020 / 23-Sep-2020,
<b>Type of Offering</b>	Offer for sale
<b>Total Offer Size</b>	Rs 22,402mn – Rs 22,421mn
<b>Price Band</b>	Rs.1229-1230
<b>Total Offer Size as % of Post Issue Capital</b>	37.4%
<b>Percentage of Offer Size (Allocation)</b>	<ul style="list-style-type: none"> <li>● <b>QIB: 50%</b></li> <li>● <b>NIB: 15%</b></li> <li>● <b>Retail: 35%</b></li> </ul>

### Share holding pattern

	Pre-Issue	Post-Issue
Promoter	43.5%	43.5%
Public	56.5%	56.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Financial Snapshot

	FY18	FY19	FY20	Q1FY20	Q1FY21
Revenue	6,415	6,936	6,996	1,750	1,486
EBITDA	2,584	2,436	2,873	681	514
EBITDA Margin %	40.3	35.1	41.1	38.9	34.6
PAT	1,459	1,304	1,734	402	408
EPS (Rs.)	30	27	36	8.2	8.4
EPS Growth (%)		(10.6)	32.9	N.M.	1.7
PE(x)	41.1	46.0	34.6	N.M.	N.M.
Dividend Yield (%)	1.9	2.2	1.2	N.M.	N.M.
EV/EBITDA (x)	22.3	23.5	19.6	N.M.	N.M.
ROE (%)	32.9	29.6	32.1	N.M.	N.M.
ROCE (%)	N.M	36.1	41.5	N.M.	N.M.

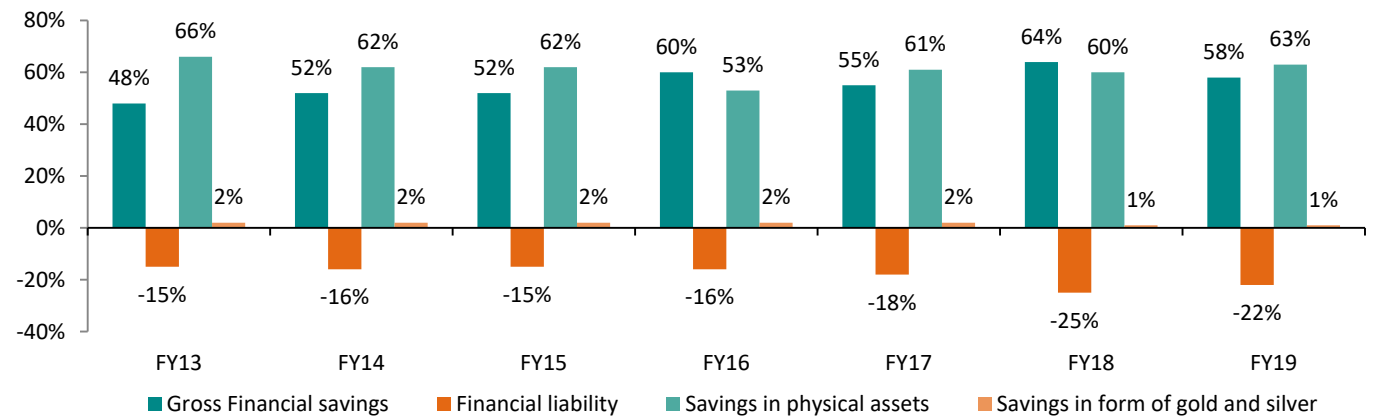
Source: RHP, IDBI Capital Research

**Exhibit 1: Gross Domestic Savings rate in India compared to other countries**



Source: RHP; IDBI Capital Research

**Exhibit 2: Gross Household savings & liability in India**

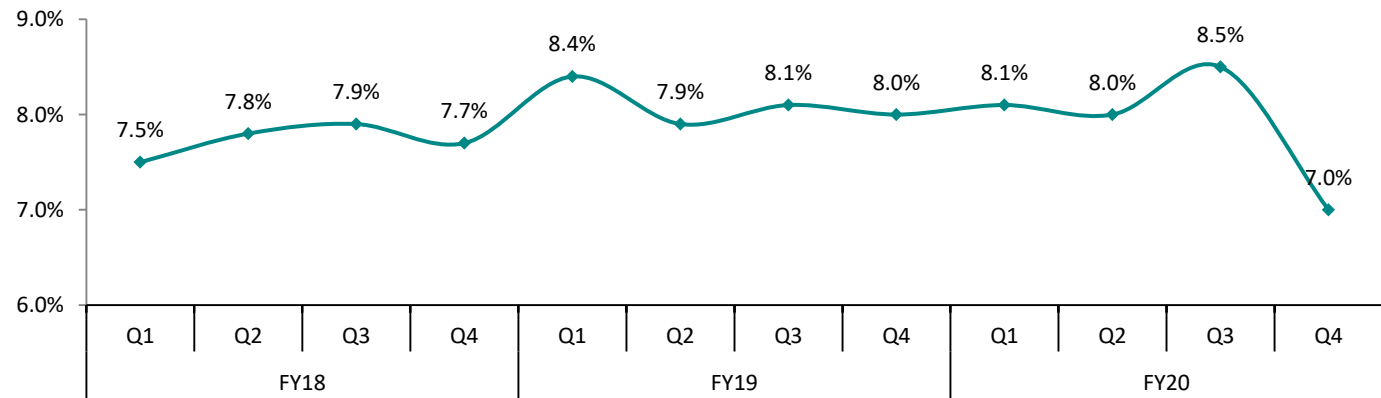


Source: RHP; IDBI Capital Research

Gross household savings in physical assets has increased from 53% in FY16 to 63% in FY19

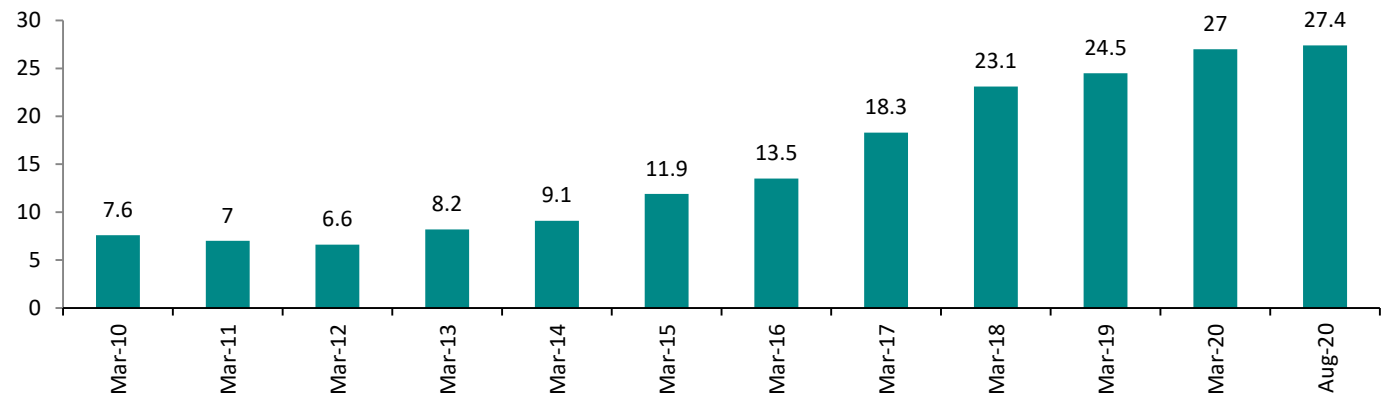
However, gross savings over FY16-19 has reduced from 60% to 58%

**Exhibit 3: Trend in mutual fund investment as % of total financial household**



Source: RHP; IDBI Capital Research

**Exhibit 4: AAUM has grown at 13% CAGR over FY10-20**



Source: RHP; IDBI Capital Research

Equity oriented funds and others (index funds, gold ETFs, FoFs) have led the growth in AAUM

**Exhibit 5: QAAUM (in Rs Bn) break-up based on fund type**

Segment	Equity	Debt	Liquid/Money market	Others	Total
Mar-15	3,652	5,292	2,774	169	11,887
Mar-16	4,183	5,871	3,269	212	13,535
Mar-17	5,927	7,982	3,940	446	18,295
Mar-18	9,582	8,134	4,562	773	23,051
Mar-19	10,210	7,152	5,916	1,206	24,484
Mar-20	11,348	7,449	6,327	1,913	27,037
Jun-20	9,740	6,797	6,272	1,818	24,627
<b>Mar 15-20 CAGR (%)</b>	<b>25.5%</b>	<b>7.1%</b>	<b>17.9%</b>	<b>62.5%</b>	<b>17.9%</b>

Source: RHP; IDBI Capital Research

**Exhibit 6: QAAUM (in Rs Bn) break-up based on investor classification**

Category	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Jul-20	Mar'15-20 CAGR (%)
Corporates	5,673	6,440	8,816	10,051	10,102	10,985	12,523	<b>14.1%</b>
Banks/FIs	663	843	1,104	866	826	767	917	<b>3.0%</b>
FIs	159	110	131	125	111	54	52	<b>-19.4%</b>
High Networth Individuals	3,140	3,531	4,703	6,310	7,095	8,207	8,520	<b>21.2%</b>
Retail	2,442	2,627	3,824	5,355	6,446	4,696	5,270	<b>14.0%</b>
<b>Total</b>	<b>12,077</b>	<b>13551</b>	<b>18578</b>	<b>22707</b>	<b>24580</b>	<b>24709</b>	<b>27282</b>	<b>15.4%</b>

Source: RHP; IDBI Capital Research

Market share of Top 10 mutual funds has increased from 78% in Mar-15 to 84% in June-20

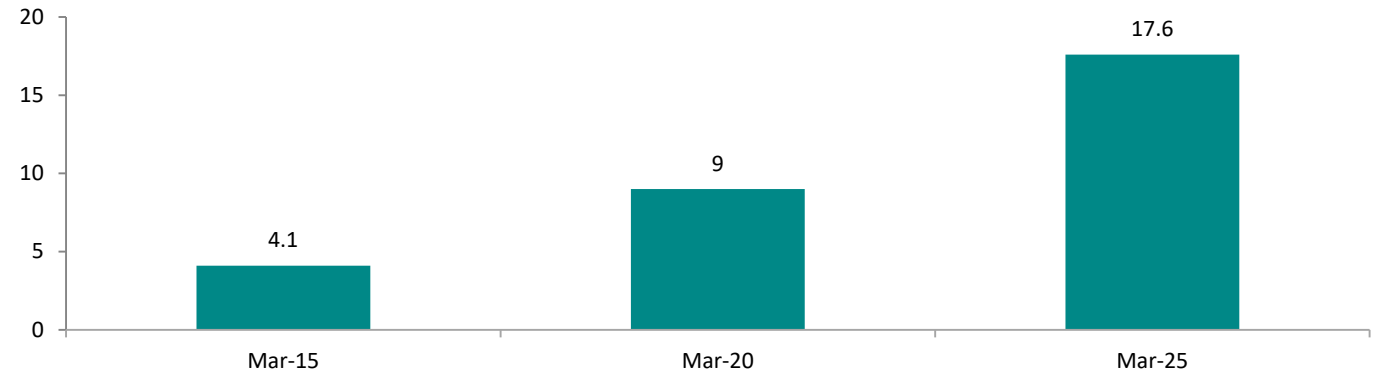
**Exhibit 7: Market share trend of top 10 Mutual funds**

Fund House	Total AUM (March-15)	Total AUM market share (March-15, %)	Total AUM June-20	Total AUM market share (June-20, %)
SBI Mutual Fund	755	6.30%	3,649	14.70%
HDFC Mutual Fund	1,620	13.60%	3,567	14.40%
ICICI Prudential Mutual Fund	1,486	12.40%	3,337	13.50%
Aditya Birla Sun Life Mutual Fund	1,200	10.00%	2,149	8.70%
Nippon India Mutual Fund	1,382	11.60%	1,810	7.30%
Kotak Mahindra Mutual Fund	417	3.50%	1,678	6.80%
Axis Mutual Fund	267	2.20%	1,345	5.40%
UTI Mutual Fund	928	7.80%	1,336	5.40%
IDFC Mutual Fund	519	4.30%	1,019	4.10%
Franklin Templeton Mutual Fund	715	6.00%	806	3.30%
<b>Total top 10</b>	<b>9289</b>	<b>77.70%</b>	<b>20696</b>	<b>83.60%</b>
<b>Total</b>	<b>11,948</b>	<b>100%</b>	<b>24,767</b>	<b>100%</b>

Source: RHP; IDBI Capital Research

*MF RTA industry is expected to grow at 15% CAGR over FY20-25E.*

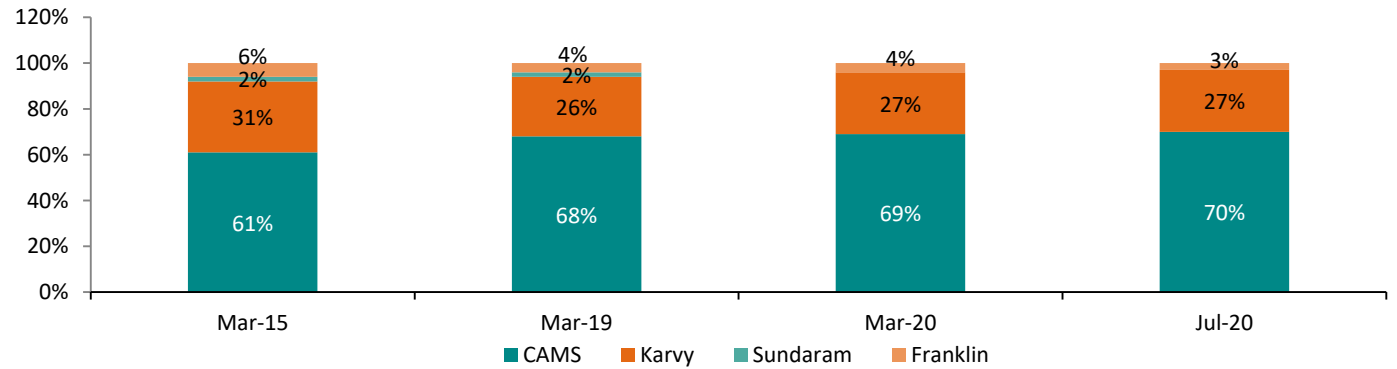
**Exhibit 8: MF RTA industry size (in Rs Bn)**



Source: RHP; IDBI Capital Research

*Market share of CAMS improved by 900bps to 70% over Mar'15 to July'20.*

**Exhibit 9: Market share trends in MF RTA industry**



Source: RHP; IDBI Capital Research

**Exhibit 10: Market share trends in MF RTA industry**

Particulars	CAMS	Karvy
Revenue from operations (in ₹ million)	6,996	4,499
Revenue CAGR (Mar 15-20)	12.80%	9.10%
PAT margin	23.90%	1.00%
EBITDA margin	42.80%	36.00%
RoE	34.10%	3.00%
Monthly AAUM (in ₹ billion) managed by fund houses serviced	17,142.78	6,570.45
Monthly AUM CAGR % (Financial Year 2015-2020)	18.60%	11.60%
Quarterly AAUM (in ₹ billion) managed by fund houses serviced	18,740.13	7,246.21
Quarterly AUM CAGR % (Financial Year 2015-2020)	21.20%	12.30%
No of clients (Top 10)	6	3
No of clients (Top 5)	4	1
No of branches/ locations	271	203
Monthly AUM/branch	6,326	3,237
Total clients	16	22
Revenue per client	437.25	204.5

Source: RHP; IDBI Capital Research

**Exhibit 11: AAUM under MF RTA**

AAUM as of month (Rs trillion)	CAMS	Sundaram BNP	Karvy
Jul-20	19.19	NA	7.3
Mar-20	17.14	0.34	6.22
Mar-19	16.59	0.38	6.37
Mar-18	14.73	0.4	6.54
Mar-17	11.68	0.35	5.68
Mar-16	8.23	0.28	4.24
Mar-15	7.3	0.25	3.8
<b>FY15-20 CAGR (%)</b>	<b>18.6%</b>	<b>6.3%</b>	<b>10.4%</b>

Source: RHP; IDBI Capital Research

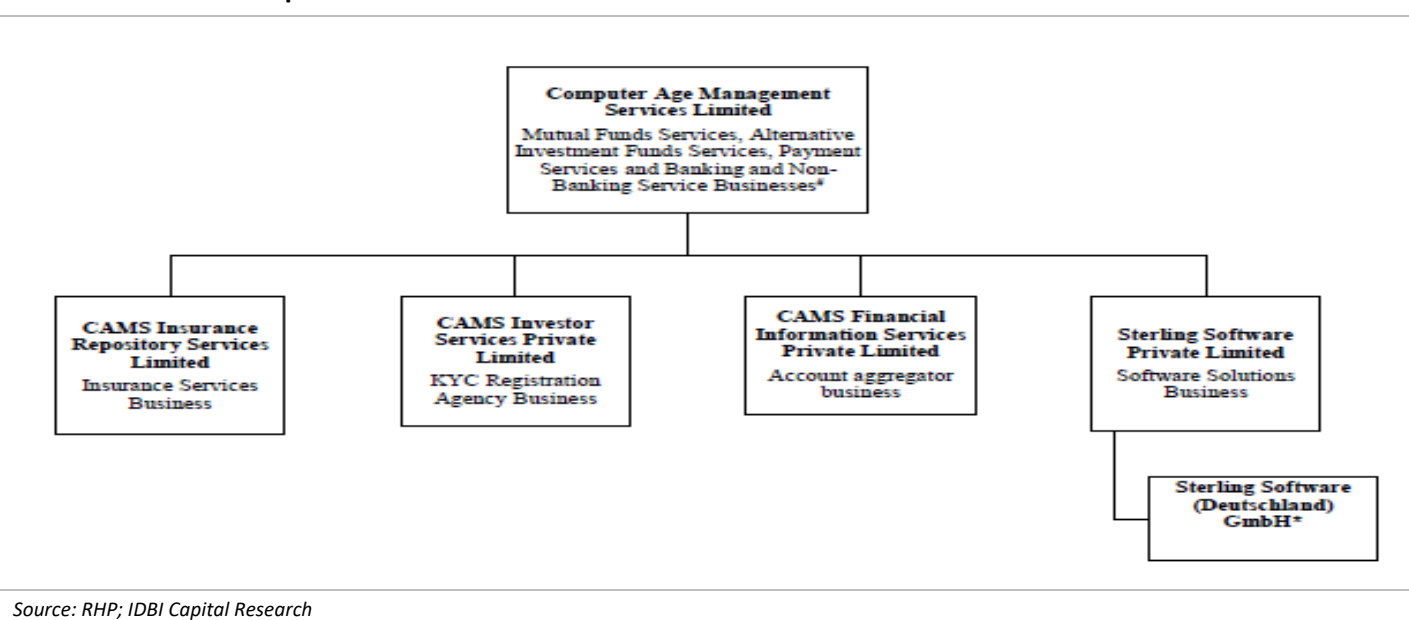
Average asset under management of CAMS is 2.6x of its nearest competitor

CAMS has significantly higher market share as it services 9 of the top-15 mutual funds

**Exhibit 12: No. of clients serviced**

Year	CAMS	Sundaram BNP	Karvy
Mar-20	16	2	22
Mar-19	16	2	22
Mar-18	15	2	21
Mar-17	15	2	21
Mar-16	15	2	22
Mar-15	15	2	23

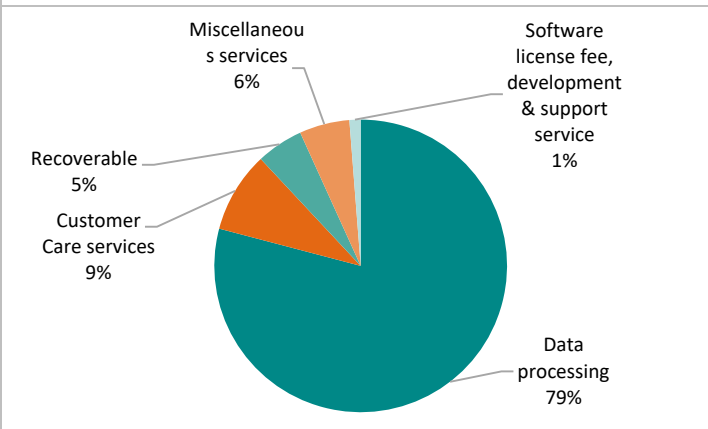
Source: RHP; IDBI Capital Research

**Exhibit 13: CAMS - Corporate structure**


Source: RHP; IDBI Capital Research

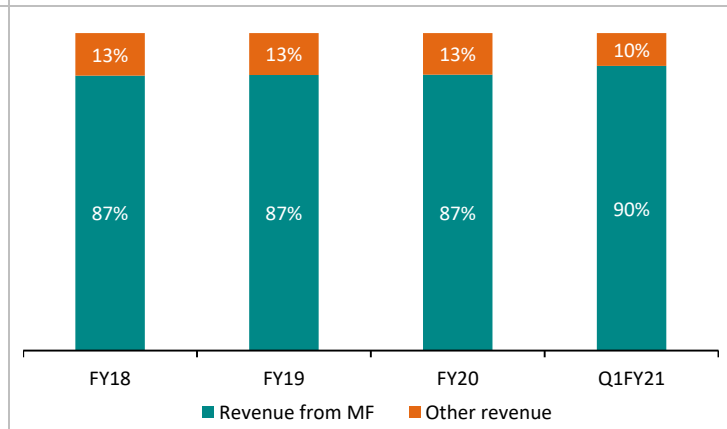


**Exhibit 14: Segmental revenue break up (FY20)**

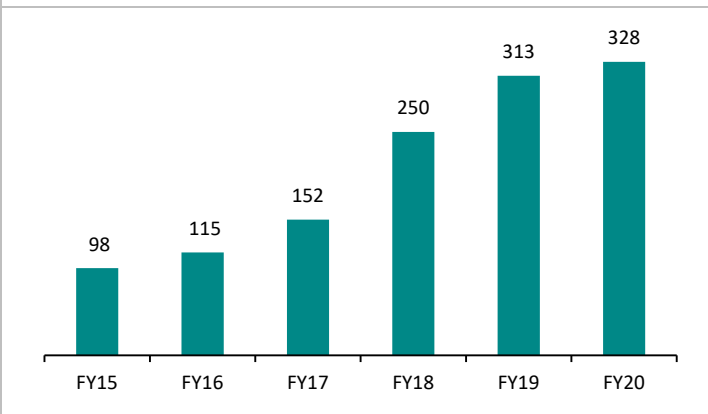


Source: RHP; IDBI Capital Research

**Exhibit 15: Revenue break-up based on source**

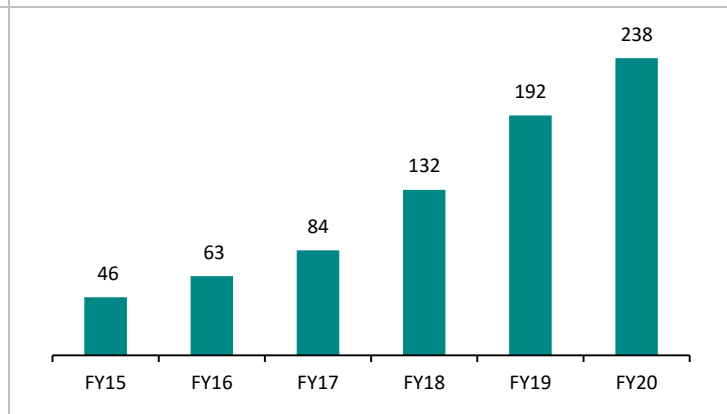


**Exhibit 16: No. of transactions (in Mn)**



Source: RHP; IDBI Capital Research

**Exhibit 17: No. of SIP transactions processed (in Mn)**

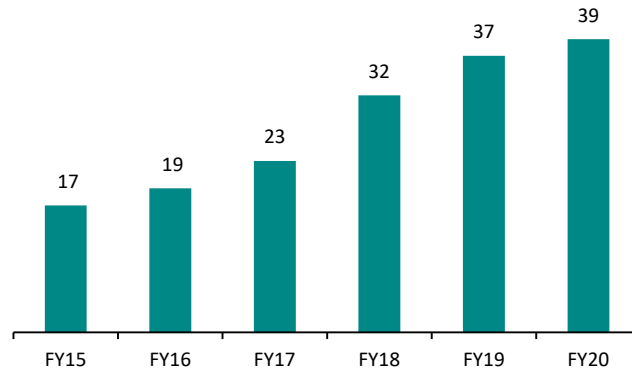


No. of transactions processed by CAMS has increased 27% CAGR over FY15-20.

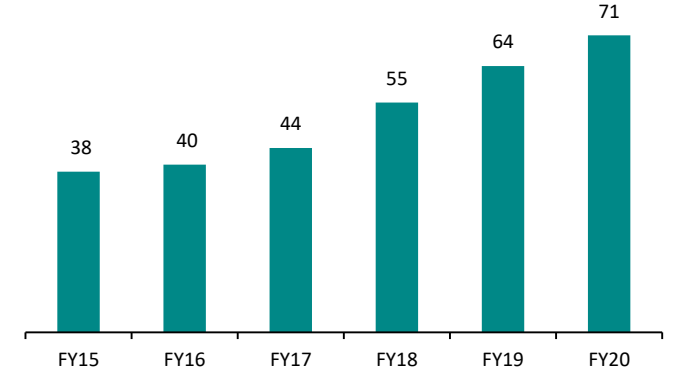
Share of SIP transactions has increased from 48% in FY15 to 72% in FY20

No. of live folios has grown at 18% CAGR over FY15-20

**Exhibit 18: No. of live folios (in Mn)**



**Exhibit 19: No. of total Investor folio (in Mn)**



Source: RHP; IDBI Capital Research

**Exhibit 20: Key Management profile**

Name	Designation	Profile
Dinesh Kumar Mehrotra	Chairman and Independent Director	He holds a Bachelor's degree in science (honours) from the University of Patna. He has previously served as the chairman and the managing director of Life Insurance Corporation of India, where he also served as the executive director of international operations. He also is on the board of companies like SBI Cards and Payments Services Ltd, UTI Asset Management Ltd, Metropolitan Stock Exchange of India etc.
Anuj Kumar	CEO and Whole time director	He holds a bachelor's degree in engineering (mechanical) from Birla Institute of Technology, a post-graduate diploma in management from the Indian Institute of Management Calcutta. He was previously associated with Godrej & Boyce Mfg. Co. Ltd., Blow Plast Limited, Escorts Finance Limited, BillJunction Payments Limited, IBM India Private Limited and Concentrix Daksh Services India Private Limited. He joined CAMS as COO in March-16 and was appointed Director and CEO in Nov-18.
Narendra Ostawal	Non- Executive Director	He holds a post graduate diploma in management from Indian Institute of Management Bangalore and attended the exchange scholar - business program at the University of Chicago's Graduate School of Business. He has passed the final examination held by the Institute of Chartered Accountants of India. He is associated with Warburg Pincus India Private Limited since 2007 where he currently holds the position of Managing Director.
Zubin Soli Dubash	Non-Executive Director	He holds a Bachelor's degree with honours in commerce from University of Bombay and a master's degree in business administration from the Wharton School of the University of Pennsylvania. He has passed the professional examinations held by the Institute of Chartered Accountants in England and Wales. He has previously been associated with ATC Tires Pvt. Ltd., Tata Sons Private Limited, WNS Global Services Pvt. Ltd. and DSP Merrill Lynch Limited.
Vedanthachari Srinivasa Rangan	Non-Executive Director	He holds a Bachelor's degree in commerce (honours) from University of Delhi. He has passed the final examination held by the Institute of Cost and Works Accountants of India and is an associate of the Institute of Chartered Accountants of India. He been associated with HDFC and is currently a whole time director of HDFC and is responsible for its treasury, resources and accounts functions of HDFC.
Natarajan Srinivasan	Independent Director	He is a member of the Institute of Chartered Accountants of India. He has previously been associated as a director on the board of directors of Cholamandalam Financial Holdings Limited, Cholamandalam Investment and Finance Company Limited, Tamil Nadu Water Investment Company Limited, Chennai, New Tirupur Development Corporation Limited, Cholamandalam MS General Insurance Company Limited and Cholamandalam MS Risk Services Limited.
Vijayalakshmi Rajaram Iyer	Independent Director	She holds a master's degree in commerce from University of Bombay. She has previously served as an Executive Director of Central Bank of India and the Chairperson and Managing Director of Bank of India. She was also associated with IRDAI as a member (Finance & Investments).

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY18	FY19	FY20
<b>Net sales</b>	<b>6,415</b>	<b>6,936</b>	<b>6,996</b>
<i>growth (%)</i>		8.1	0.9
Operating expenses	(3,831)	(4,501)	(4,124)
<b>EBITDA</b>	<b>2,584</b>	<b>2,436</b>	<b>2,873</b>
<i>growth (%)</i>		-5.7	17.9
Depreciation	(402)	(504)	(485)
<b>EBIT</b>	<b>2,182</b>	<b>1,932</b>	<b>2,388</b>
Interest paid	(79)	(105)	(97)
Other income	163	182	217
<b>Pre-tax profit</b>	<b>2,266</b>	<b>2,009</b>	<b>2,508</b>
Tax	(803)	(700)	(773)
<i>Effective tax rate (%)</i>	35.4	34.8	30.8
Minority Interest	(3.6)	(4.5)	(0.4)
<b>Net profit</b>	<b>1,459</b>	<b>1,304</b>	<b>1,734</b>
Exceptional items	-	-	-
<b>Adjusted net profit</b>	<b>1,459</b>	<b>1,304</b>	<b>1,734</b>
<i>growth (%)</i>		(10.6)	32.9
<i>Shares o/s (mn nos)</i>	49	49	49

### Cash Flow Statement

(Rs mn)

Year-end: March	FY18	FY19	FY20
Pre-tax profit	2,266	2,009	2,508
Depreciation	402	504	485
Tax paid	(892)	(756)	(831)
Chg in working capital	(47)	193	(101)
Other operating activities	(109)	(81)	(49)
<b>Cash flow from operations (a)</b>	<b>1,619</b>	<b>1,868</b>	<b>2,012</b>
Capital expenditure	(428)	(351)	(151)
Chg in investments	-	-	(141)
Other investing activities	238	39	(546)
<b>Cash flow from investing (b)</b>	<b>(189)</b>	<b>(312)</b>	<b>(839)</b>
Dividend (incl. tax)	(1,164)	(1,321)	(716)
Other financing activities	(219)	(261)	(273)
<b>Cash flow from financing (c)</b>	<b>(1,384)</b>	<b>(1,581)</b>	<b>(989)</b>
<b>Net chg in cash (a+b+c)</b>	<b>46</b>	<b>(25)</b>	<b>184</b>

### Balance Sheet

(Rs mn)

Year-end: March	FY18	FY19	FY20
Net fixed assets	3,235	3,200	2,985
Investments	143	137	128
Other non-curr assets	209	221	86
<b>Current assets</b>	<b>3,391</b>	<b>3,806</b>	<b>4,826</b>
Inventories	2	4	58
Sundry Debtors	225	270	320
Cash and Bank	2,438	2,740	3,563
Loans and advances	5	7	6
<b>Total assets</b>	<b>6,979</b>	<b>7,363</b>	<b>8,025</b>
<b>Shareholders' funds</b>	<b>4,512</b>	<b>4,494</b>	<b>5,398</b>
Share capital	488	488	488
Reserves & surplus	4,024	4,007	4,911
Other liabilities	866	840	772
<b>Curr Liab &amp; prov</b>	<b>1,601</b>	<b>2,029</b>	<b>1,855</b>
Current liabilities	954	1,147	1,016
Provisions	646	882	839
<b>Total liabilities</b>	<b>2,466</b>	<b>2,869</b>	<b>2,627</b>
<b>Total equity &amp; liabilities</b>	<b>6,978</b>	<b>7,363</b>	<b>8,025</b>
<b>Book Value (Rs)</b>	<b>93</b>	<b>92</b>	<b>111</b>



# Notes

Dealing

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**IDBI Capital Markets & Securities Ltd.**

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