



SMC Ranking
 ★★☆☆☆ (3/5)

Issue Highlights

Industry	Finance
Total Issue (Shares) - Offer for sale	18246600
Net Offer to the Public	18246600
Employee Reservation Portion	182500
Employee discount	Rs.122
Issue Size (Rs. Cr.)	2242-2244
Price Band (Rs.)	1229-1230
Offer Date	21-Sep-20
Close Date	23-Sep-20
Face Value	10
Lot Size	12

Issue Composition

	In shares
Offer for sale	18,246,600
QIB	9,032,050
NIB	2,709,615
Retail	6,322,435
Employee Reservation Portion	182500

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	43.50%	43.50%
QIB	56.50%	37.61%
NIB	0.00%	5.55%
Retail	0.00%	12.96%
Employee Reservation Portion		0.37%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. To carry out the Offer for Sale of up to 18,246,600 Equity Shares by the Selling Shareholders
2. Achieve the benefits of listing the Equity Shares on the BSE

Book Running Lead Manager

- HDFC Bank Limited
- ICICI Securities Limited
- Kotak Mahindra Capital Company Limited
- Nomura Financial Advisory And Securities (India) Pvt Ltd

Name of the registrar

- Link Intime India Private Ltd

About the Company

Computer Age Management Services (CAMS) Ltd is a technology-driven financial infrastructure and service provider. It is India's largest registrar and transfer agent of mutual funds. CAMS currently provides technology-based services including dividend processing, transaction origination interface, payment, transaction execution, dividend processing, intermediary empanelment, report generation, investor interface, settlement and reconciliation, compliance-related services, and brokerage computation. The company provides services in the area of electronic payment collections services business, insurance services business, alternative investment funds services business, banking, and non-banking services business, KYC registration agency business, and software solutions business. CAMS also offers services online through a mobile application.

Strength

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

Market: The five-year CAGR of QAAUM of mutual funds between March 2015 and March 2020 was 18% according to the CRISIL Report, while the five-year CAGR of the QAAUM of mutual funds serviced by CAMS over the same period was 21%. Further, its mutual fund clients had 19.77 million SIP accounts as of June 30, 2020. As per the Crisil Nov 2019 report, it has a 69.4% mutual fund aggregate market share.

Integrated Business Model and Longstanding Client Relationships in its Mutual Funds Services Business:

The company offers an integrated and customized portfolio of services through a pan-India physical network comprising 271 service centres spread over 25 states and five union territories as of June 30, 2020, and which are supported by call centres in fits major cities, fits back offices (including a disaster recovery site), all having real-time connectivity, continuous availability and data replication and redundancy. Further, the company offers many of its services online and through its several mobile device applications, to investors, clients, their distributors and their channel providers. The continued development of proprietary platforms and applications has furthered the company's competitive technology advantage. Utilizing its diverse portfolio of technology enabled services and leveraging its pan-India physical network, domain expertise of the Indian financial services ecosystem and a comprehensive risk management system, it has built an integrated business model and have longstanding client relationships in its mutual funds services business.

Scalable Technology Enabled Ecosystem: The company believes that its competitive technology advantage stems from the capability, functionality, integration and scalability of its proprietary platforms, which deliver breadth and quality of service and cost efficiencies. Its proprietary platforms are built to absorb growth in the number of investors, assets and trading volumes. Its infrastructure includes 271 service centers, fits call centers, fits back offices of which three are in Chennai and one in Coimbatore, having real time connectivity, continuous availability and data replication and redundancy. It also has an aggregate of over 275 TB data storage in its, businesses as of June 30, 2020. Its business continuity planning is done at its disaster recovery site in Mumbai.

Strong Focus on Processes and Risk Management: It continuously monitors its systems and processes and endeavor to not only benchmark them against Indian

competitors but also incorporate industry best practices and technological advancements in its operations. The company believes that its relentless focus on systems and processes has contributed significantly to its growth and allowed it to become a trusted provider of services to its clients and other stakeholders. It continues to automate processes and enhance its systems and risk management to try to ensure that all its obligations and regulatory requirements are fulfilled on a timely basis and without error.

Strategy

Maintain its Leadership Position by enhancing Service Offerings to Mutual Fund Clients: The focus 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. The company has 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 of investors. It believes its market leading position and its strengths adequately position it to increase the number of its mutual fund clients.

Continue the Technology-led Services Innovations: The spending of the company on technology has continued to be significant and it believes the advantages available to it by developing and investing in technology include client commitment and loyalty, economies of scale, effective risk management, scalability, and expansion to the adjacent financial services sectors, among others. The company is engaged in several such initiatives in the areas of reconciliation, brokerage computation, digitization of paper transactions, quality control, among others. In 2008, its technology-led innovation was for the investors - a consolidated financial statement spanning different mutual funds (which has now become market practice). Further, it has developed myCAMS, an award winning B2C mobile application to provide individual investor interface and facilitate mutual fund transactions for them, as well as GoCORP, a technology platform for corporate investors. It has processed 75.9 million and 328.4 million transactions for the three months ended June 30, 2020 and the financial year 2020, respectively, through its mobile application myCAMS. It also provides MFDEX, a sales and business intelligence tool to several mutual funds, including clients of its competitors.

Achieve Leadership in Individual Businesses and then Target Scale: Its mutual funds services business had an aggregate market share of approximately 70% based on mutual fund AAUM managed by its clients and serviced by the company during July 2020, and its insurance services business had a market share of 39% during the financial year 2018, based on e-insurance policies being managed, according to the CRISIL Report. It invests in creating sustainable and scalable business platforms early on in the life cycle, and focus on delivering incremental value to its clients. Most of its businesses and client relationships in such businesses continue to grow over time and at scale the businesses contribute favourably to its profitability. Key new offerings continue to be imbued with a platform character and are technology-based. It expect its revenues from its mutual funds business will continue to increase, it expects a growth in revenues from its other existing businesses.

Improve Automation in its Businesses: Through automation, it targets to not only improve cost efficiencies but also enhances customer experience. It is currently engaged in several automation projects, including automation of subscription reconciliation, purchase and SIP processes, document receipts and storage. Its applications, such as myCAMS, GoCORP, digiSIP, CAMSserv, edge360 are aimed not only at enhancing the investor and distributor ease of operation but also to automate the flow of transactions, thereby reducing manual efforts and risks associated with manual efforts.

Risk factor

- The future revenue and profit of the company are largely dependent on the growth, value and composition of AAUM of the mutual funds managed by its clients, which may decline.
- Its significant disruptions in information technology systems or breaches of data security could adversely affect its business and reputation.
- It derives a significant portion of its revenues from a few clients and the loss of one or more such clients could adversely affect its business and prospects.
- Its inability to effectively manage its growth or to successfully implement its business plan and growth strategy could have an adverse effect on its business, results of operations and financial condition.
- The business of the company is subject to extensive government regulation and if it fails to obtain, maintain or renew its statutory and regulatory licenses, permits and approvals required to operate its business, its business and results of operations may be adversely affected.

Peer comparison

As per the company, there are no listed entities in India whose business portfolio is comparable with that of its business.

Valuation

Considering the valuation at upper price band of Rs.1230, EPS and P/E of FY2020 are Rs. 35.55 and 34.60 multiple respectively and at a lower price band of Rs. 1229, P/E multiple is 34.57; at upper price band of Rs.1230, book value and P/B of FY2020 are Rs.110.65 and 11.12 multiple respectively and at a lower price band of Rs. 1229, P/B multiple is 11.11. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry overview

The share of mutual funds in overall household savings has continuously increased from 0.8% in financial year 2013 to 1.2% in financial year 2018. According to CRISIL, the financial market in India is expected to continue to grow at a steady pace owing to strong demand- and supply-side drivers, such as expected growth of the Indian economy, increasing urbanisation, rising consumerism because of higher per capita incomes, and favourable changes, thereby indicating market growth potential. for established financial service providers in India. Further, as per RBI's quarterly forecast for gross financial assets, mutual funds in outstanding position of household financial assets consistently increased until Q3 of financial year 2020. However, it declined in Q4 of financial year 2020 as the capital markets became volatile in the month of March due to COVID-19. The aggregate AUM of the Indian mutual fund industry has grown consistently over the past 10 years, against the backdrop of an expanding domestic economy, robust inflows, and rising investor participation, particularly from individual investors. Quarterly AAUM ("QAAUM") grew at CAGR of 13.4% to ₹27.0 trillion in March 2020 from ₹7.6 trillion in March 2010. As of July 2020, there were 41 fund houses. Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base due to increasing penetration across geographies, strong growth of the capital markets, technological progress and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Although mutual fund AUM as a percentage of GDP rose from 4.3% in financial year 2002 to approximately 11% in financial year 2020, penetration levels remain well below those in other developed and fast-growing peers.

Outlook

CAMS is a technology-driven financial infrastructure and service provider in India. It is the well known brand and largest infrastructure service provider for mutual funds. The company has witnessed a steady revenue growth in the last 3 years. However, company future revenue and profit are largely dependent on the growth, value and composition of AAUM of the mutual funds managed by its clients, which may decline. Moreover, the issue is offer for sale (OFS) and the money raised through IPO route will not go to the company.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	September 21, 2020
Bid/Offer Closing Date	September 23, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	September 28, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	September 29, 2020
Credit of Equity Shares to depository accounts of Allottees	September 30, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	October 01, 2020

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-20 (6 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Total Operating Income	148.63	699.63	693.64
Total expenditure	83.69	354.31	390.91
Operating Profit	64.94	345.32	302.74
OPM%	43.69	49.36	43.64
Other Income	14.84	21.71	18.16
PBDIT	79.77	367.04	320.90
Depreciation	10.67	48.51	50.40
PBIT	69.11	318.53	270.50
Interest	15.83	67.75	69.63
PBT	53.27	250.78	200.87
Tax	12.45	77.32	69.98
Profit After Tax	40.83	173.46	130.90

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-20	As on 31-Mar-20	As on 31-Mar-19
Non-current assets			
Non-current assets			
Property, plant and equipment	63.27	65.25	71.03
Right To Use Asset	72.62	88.57	97.17
Intangible assets	142.49	144.68	151.83
Financial assets			
Investments	0.55	0.53	2.04
Loans	13.04	12.28	11.64
Deferred tax assets (net)	9.73	8.33	20.23
Other non-current assets	0.28	0.29	1.84
Total Non- Current Assets	301.98	319.93	355.77
Current assets			
Financial assets			
Investments	315.52	305.61	230.50
Trade Receivables	43.64	32.03	26.97
Cash and cash equivalents	2.92	23.22	4.86
Bank Balances other than Cash and Cash Equivalents	81.04	27.44	38.64
Loans	0.76	0.57	0.67
Other Financial assets	5.88	5.78	0.37
Current Tax Assets (Net)	12.00	15.04	0.00
Other current assets	71.71	72.91	78.54
Total current assets	533.47	482.60	380.55
Total Assets	835.46	802.53	736.32
Liabilities			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	64.56	77.21	83.96
Provisions	74.97	73.50	71.15
Total non-current liabilities	139.53	150.71	155.11
Current liabilities			
Financial liabilities			
Trade payables			
Total outstanding dues to micro enterprises and small enterprises	0.28	0.69	0.35
dues to Others	43.30	35.29	34.66
Other financial liabilities	42.71	25.91	24.81
Provisions	14.26	10.44	17.09
Current Tax Liabilities (Net)	0.00	0.00	1.91
Other current liabilities	67.18	39.68	52.98
Total current liabilities	167.73	112.01	131.78
Total liabilities	307.26	262.72	286.89
Asset-Liabilities	528.20	539.81	449.43
Net worth represented by:			
Equity share capital	48.79	48.76	48.76
Other equity	479.41	491.05	392.53
Non Controlling Interest	0.00	0.00	8.15
Total equity (Net Worth)	528.20	539.81	449.44

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.