

Computer Age Management Services Ltd(CAMS) : Good Issue IPO Note :Leading R&T Agent:Flat Sales Growth: Reasonable Margins compared to market share: High Valuation Ranking***



Issue details

| | |
|------------------|----------------|
| Price band (Rs) | Rs.1229-1230 |
| IPO Opening Date | 21/09/2020 |
| IPO Closing Date | 23/09/2020 |
| Issue Size | Rs.2244.33 Cr. |

Recommendation

Total revenue grew at a **CAGR of 4.71%** from Rs.657.82 Cr for the FY 2018 to Rs.721.34 Cr for FY 2020 and Net Profit grew at a **CAGR of 8.37%** in the same period. Net profit grew from Rs.146.81 crore to Rs.172.44 crore in this period. For the three months ended on 31.16.20, it has earned net profit of Rs.40.59 cr. on a turnover of Rs.163.46 cr. **If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.48.88 crore, the EPS works out to Rs.33.21 then asking price Rs.1230 is at a P/E of 37.03.** As per offer documents, CAMS has no listed peers to compare with. Since this company will be the first mover in the segment. Based on P/E and P/BV parameters, the issue appears fully priced. **Being the first mover in the segment it may create fancy on listing.**

Highlights

- It is India's largest registrar and transfer agent of mutual funds with an aggregate market share of approximately 70% based on mutual fund AAUM managed by its clients and serviced by the company during July 2020
- CAMS is a technology-driven financial infrastructure and service provider.
- The company has PAN India presence in 25 states with a network of 271 centres.
- CAMS's mutual fund clients include four of the five largest mutual funds as well as nine of the 15 largest mutual funds based on AAUM during July 2020.
- The company has 16 mutual fund clients with an aggregate of over 71.8 million accounts held by such clients as of June 30, 2020.
- As of June 30, 2020, it had 4,243 permanent and 1920 contractual employees.

Company Introduction

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. As per the Crisil Nov 2019 report, it has a 69.4% mutual fund aggregate market share.

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 has a



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Financial Summary (Rs. In Crore)

| Particulars | Three months ended June 30,2020 | FY2020 | FY2019 | FY2018 |
|--------------|---------------------------------|--------|--------|--------|
| Total Income | 163.46 | 721.34 | 711.80 | 657.82 |
| Net Profit | 40.59 | 172.44 | 130.31 | 146.81 |
| EPS (Rs) | 8.3* | 35.27 | 26.65 | 30.13 |

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

wide network comprising 25 states, 278 service centers, and five union territories. It also offers services online through a mobile application.

Although the company has historically derived a significant majority of its revenues from mutual funds Services business, it intends to focus on growing the revenue and market share of other businesses.

Company Promoters:

Great Terrain Investment Ltd is the promoter of the company.

The object of the issue

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

IPO Issue Proceed

To provide an exit to existing stakeholders and avail listing benefits, CAMS is coming out with a maiden IPO with a secondary offer (i.e. full IPO as an offer for sale) of 18246600 equity shares of Rs. 10 each. The price band has been fixed at Rs. 1229 - Rs. 1230 per share. The company aims to raise approx. Rs. 2242.51 to Rs. 2244.33 cr. (based on its lower and upper price bands). The issue opens for subscription on September 21, 2020, and will close on September 23, 2020. Minimum application is to be made for 12 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE only. The company has reserved 182500 shares for eligible employees and from the balance shares, it has kept 50% for QIBs, 15% for HNIs and 35% for retail categories. Employees are offered a discount of Rs. 122 (approx 10%) per share. Post issue, CAMS's current paid-up equity capital of Rs. 48.88 cr. will remain the same as the company is coming with a fully secondary offer. As of June 30, 2020, the company's paid-up equity capital of Rs. 48.88 is supported by free reserves of Rs. 479.41 cr. With this issue, the company is looking for a market cap of Rs. 6000 cr.

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