



IPO DETAILS

Issue Date	21 st Sept-23 rd Sept 2020
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Price Band	1229-1230 per Share
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Bid Lot	12 & in multiple thereof
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Face Value	Rs 10/Share
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Listing	BSE
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Issue Size	18,246,600 Eq Shares
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Offer For Sale	18,246,600 Eq Shares
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Pre Issue Eq Shares	48,786,800 Eq Shares
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Post Issue Eq Shares	48,786,800 Eq Shares
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BRLM	Kotak Mahindra Capital Company Ltd, HDFC Bank Ltd, ICICI Securities Ltd, Nomura Financial Advisory
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Registrar	Link Intime India Private Limited
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Company is India's largest registrar and transfer agent of mutual funds with an aggregate market share of approximately 70% based on mutual fund average assets under management ("AAUM") managed by company's clients and serviced by company during July 2020. Over the last five years, company have grown its market share from approximately 61% during March 2015 to approximately 69% during March 2020, based on AAUM serviced.

Company'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, according to the CRISIL Report. With the initiative of creating an end-to-end value chain of services, company have grown its service offerings and currently provide a comprehensive portfolio of technology based services,

Between April 2016 and July 2020, the monthly amount invested through SIPs in mutual fund industry has risen from approximately ₹31 billion to approximately ₹78 billion. Such an increase is the result of low contribution minimums increasing accessibility to lower income households. This is reflected in an increase in the number of SIP accounts to 32.7 million in July 2020 from 21.1 million in March 2018. Further, the mutual fund industry added roughly 982,000 SIP accounts each month in financial year 2020. Company's mutual fund clients had 19.77 million SIP accounts as of June 30, 2020. The AUM of equity mutual funds serviced by company grew from ₹2,180 billion as of March 31, 2015 to ₹5,228 billion as of March 31, 2020, at a CAGR of 19.1%, and as of June 30, 2020 was ₹6,190 billion

Among MF RTAs, CAMS has the highest AUM serviced, which is approximately 70% of the market share as of July 2020, followed by Karvy (including Sundaram BNP Paribas Fund Services). Also, the fastest growing MF RTA for the last five years has been CAMS with a CAGR of 18.6% in AUM managed whereas, the CAGR growth for Karvy and Sundaram BNP Paribas Fund Services remained at 10.4% and 6.6%, respectively in the past five financial years. CAMS market share has increased from approximately 61% in financial year 2015 to approximately 69% in financial year 2020 based on AAUM serviced for the month of March for the respective financial years. As of March 2020, CAMS had a market share of approximately 73% among the top 10 mutual fund houses. During the past five financial years, the share of top 10 AMCs serviced by CAMS has risen consistently. The top 10 AMCs had a cumulative share of approximately 83% as on March 2020.

Valuation

Company is bringing the issue at p/e multiple of approx 35x at higher end of price band of Rs 1229-1230/share on FY20 eps basis. Company has shown strong financial performance.

We like the asset light business model of company & excited by the fact that the industry is mainly concentrated between limited players with company holding majority market share of 70%. Also company has long history of existence since 1988 & presently company has experienced management & marquee shareholders. Since company has no direct listed peer hence company will enjoy the benefit of first mover on valuation perspective.

Therefore, looking after all, we recommend "Subscribe" the issue both for listing gains as well as long term horizon.



COMPANY OVERVIEW

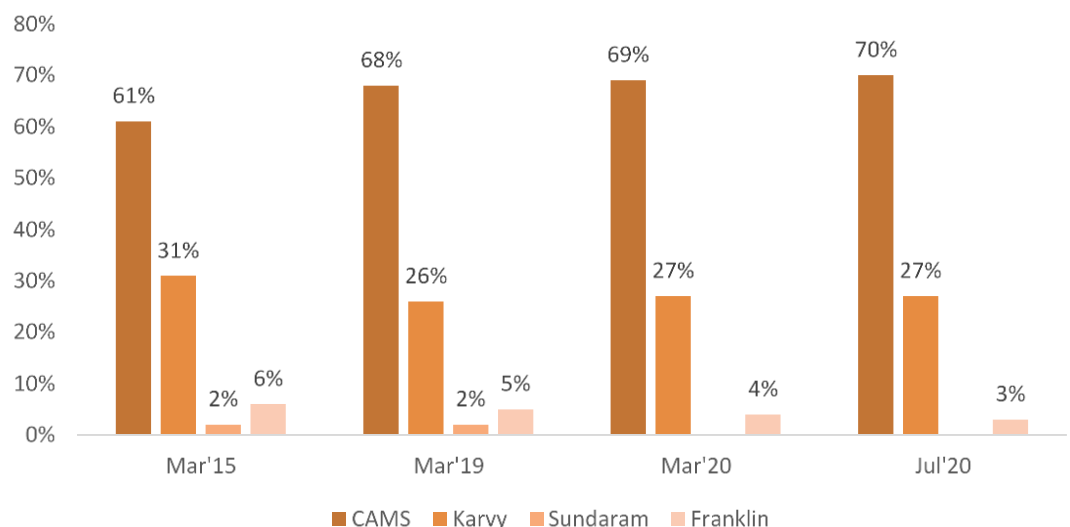
Over the years, company have leveraged its domain expertise, processes and infrastructure to diversify its offering of services to cater to a variety of other financial services sectors.

- In company's electronic payment collections services business, company manage mandated transactions, including registering of mandates, initiation of collections, reconciliation and the related reporting services for mutual funds, non-banking finance companies and banks.
- In company's insurance services business, company offer processing of new business applications, holding policies in dematerialized form, servicing policies and other support functions to insurance companies. For the financial year 2018, company had a market share of 39% of the insurance repository business, based on e-insurance policies being managed, according to the CRISIL Report.
- In company's alternative investment funds services business, company provide services to investors, manage records and perform fund accounting and reporting, among other services, for alternative investment and other types of funds.
- In company's banking and non-banking services business, company offer digitization of account opening, facilitation of loan processing and back-office processing services to banking and non-banking financial institutions.
- In company's KYC registration agency business, company verify and maintain KYC records of investors for use by financial institutions.
- In company's software solutions business, company's technology team develops software for its mutual funds services business and for mutual fund companies.

Revenue model of MF RTA

The revenue model of MF RTAs typically revolves around the AUMs handled, mix of AUM handled across categories (equity, debt, liquid, hybrid and others), volume of paper-based transactions handled and fees on value-added services offered. However, for AMCs with low AUM, a minimum threshold fee is charged by MF RTAs. Major part of the revenue earned by MF RTAs (approximately 80%) is by means of fees charged on the AUMs managed by the AMCs for which the MF RTAs provide service. These fees are generally tiered in nature and tend to decrease as a proportion of total AUMs of the fund house once the AUMs surpass the tiers for which the fees are agreed on. The other major portion of revenue, is the charge for handling of paper-based transactions of AMCs, for which considerable effort is needed to enter the details into the system for effective record keeping and reporting. Although the proportion of these transactions may be going down with increasing usage of the online medium, they still form a good portion of MF RTAs' revenue due to the higher dependence of institutional investors on paper-based systems. These transactions require higher amount of processing, which in turn leads to higher costs for MF RTAs.

Market share of various MF RTAs in terms of Mutual fund AAUM





INVESTMENT RATIONALE

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

The ten-year CAGR of QAAUM of mutual funds between March 2010 and March 2020 was 13.4% while the ten-year CAGR of QAAUM of mutual funds serviced by company over the same period was 15.8%. Further, the AUM of equity mutual funds serviced by company grew from ₹2,180 billion as of March 31, 2015 to ₹5,228 billion as of March 31, 2020, at a CAGR of 19.1%, and as of June 30, 2020 was ₹6,190 billion. In addition, the number of folios serviced by company grew from 39.4 million as of March 31, 2020 to 39.8 million as of June 30, 2020. 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, company's four largest mutual fund clients, averages approximately 18 years as of June 30, 2020.

Strong Focus on Processes and Risk Management

Company's relentless focus on systems and processes has contributed significantly to its growth and allowed company to become a trusted provider of services to its clients and other stakeholders. Company continue 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. Several regulatory entities have oversight over different parts of company's business, and its business and operations are subject to audits by a number of entities, including the auditors of its mutual fund clients. In addition, its mutual funds services business has had regulatory oversight from the SEBI for over 26 years. Company have implemented a cyber security and cyber resilience policy and established a technology committee comprising of eminent specialists from IIT Bombay and IIT Madras, as well as the banking industry. The committee meets quarterly and reviews the robustness and resilience of company's systems and processes. The minutes of the committee is submitted to company's Board, and actions taken by company pursuant to such report are submitted to the SEBI.

Experienced Management and Board and Marquee Shareholders

Company's management team has extensive experience in a variety of financial services sectors, with a demonstrated ability to grow and diversify its business and innovate its services. Mr. Anuj Kumar, company's Whole-time Director and Chief Executive Officer has over two decades of experience and has been with company since June, 2016. Company's Key Management Personnel have average work experience of over 27 years and have been with company for over five years. Company's Board of Directors collectively possess an effective mix of skills and attributes with significant business, operational, technology, finance, insurance, legal and investment experience in a diverse range of industries. Company's marquee shareholders include Great Terrain (an affiliate of Warburg Pincus), HDFC, HDFC Bank and NSEIL, among others. Company have and expect to continue to benefit from capital sponsorship and professional expertise of its marquee shareholders. Company's shareholders have assisted us in implementing strong corporate governance standards, which have been critical to the growth of company's operations.

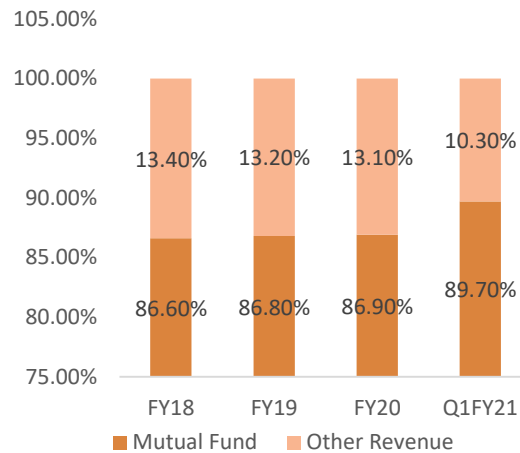
Scalable Technology Enabled Ecosystem

From handling over 98 million transactions in the financial year 2015, company handled over 328 million transactions in the financial year 2020. The continuing investment in company's proprietary IT platforms continues to strengthen this competitive advantage by further increasing operating leverage, driving ongoing innovation, anticipating industry developments and delivering increased efficiencies while continuing to provide its clients and other stakeholders with its integrated services. Company's infrastructure includes 271 service centers, four call centers, four back offices of which three are in Chennai (two of these offices also serve as company's Registered Office and Corporate Office) and one in Coimbatore, having real time connectivity, continuous availability and data replication and redundancy. Company also have an aggregate of over 275 TB data storage in its businesses as of June 30, 2020.

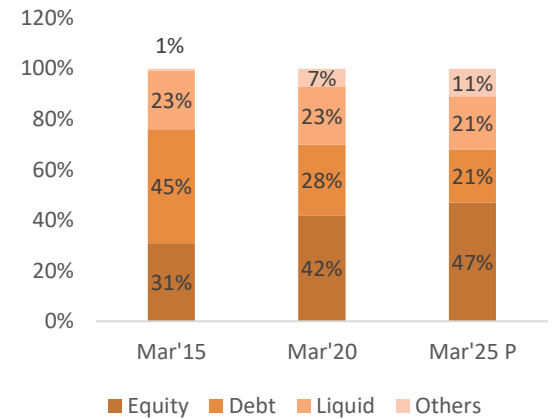


STATISTICS & PEERS COMPARISON

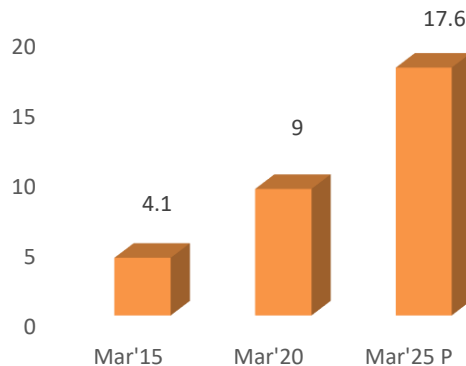
Co's Revenue Break Down (In %)



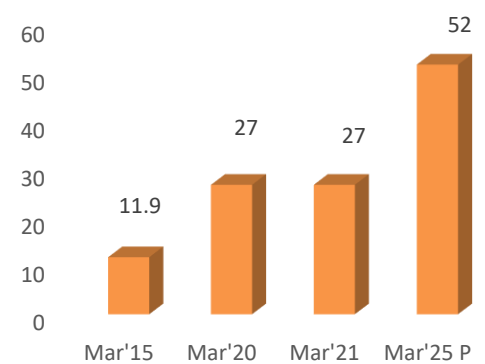
Growing Share of Equity Fund in Industry



Driving 15% CAGR in MF RTA Industry Rev (Rs Bn)



Indian MF Industry growth at 18% (In Rs Tn)



The following table analyses the operational performance and key financial indicators of CAMS and Karvy (which together account for approximately 96% of the MF RTA industry) for the financial year 2020:

Particulars	CAMS	Karvy
Revenue from operations (In Mn)	6996	4499
CAGR growth in revenue from operations (FY2015-2020)	12.8%	9.1%
PAT Margin	23.9%	1.0%
EBIDTA Margin	42.8%	36.0%
ROE	34.1%	3.0%
Monthly AAUM(in Rs Bn) managed by fund houses serviced (Mar'20)	17142.78	6570.45
Monthly AUM CAGR % (FY2015-2020)	18.6%	11.6%
Quarterly AAUM (in Rs Bn) managed by fund houses serviced (Mar'20)	18740.13	7246.21
Quarterly AUMCAGR % (FY2015-2020)	21.2%	12.3%
No of clients (Top 10)	6	3
No of clients (Top 5)	4	1
No of branches/locations	271	203
Monthly AUM/branch	6326	3237



Risk Factors:

Significant disruptions in company's information technology systems or breaches of data security could adversely affect company's business and reputation:

The size and complexity of company's computer systems may make them potentially vulnerable to breakdowns. Many of company's services are provided through the internet, which increases its exposure to potential cybersecurity attacks including viruses, ransomware and spam attacks. Company have experienced cybersecurity threats to company's information technology infrastructure and have experienced non-material cyber-attacks

Objects of Issue:

The objects of the Offer are to carry out the Offer for Sale of up to 18,246,600 Equity Shares by the Selling Shareholder and to achieve the benefits of listing the Equity Shares on the BSE. Company will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholder.

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	Q1FY21
Total Income	641.54	693.64	699.63	148.63
Total Exp	383.11	450.07	412.36	97.18
EBIDTA	258.43	243.58	287.28	51.45
Other Income	16.28	18.16	21.71	14.84
Depreciation	40.24	50.40	48.51	10.665
EBIT	234.47	211.35	260.48	55.62
Interest	7.89	10.47	9.70	2.343
PBT	226.58	200.87	250.78	53.27
E/O Items	0.00	0.00	0.00	0
PBT	226.58	200.87	250.78	53.27
Sh Of Profit in Asso	0.00	0.00	0.00	0.00
PBT	226.58	200.87	250.78	53.27
Tax	80.28	69.98	77.32	12.45
PAT	146.31	130.90	173.46	40.83
Other Comp Income	0.00	0.00	0.00	0
Adjusted PAT	146.31	130.90	173.46	40.83
Eq Cap	48.76	48.76	48.76	48.76
Net Worth	451.21	449.44	539.81	528.17
Eq Shares	4.88	4.88	4.88	4.88
EPS	29.93	26.75	35.54	8.37
ROE	32.91	29.56	32.13	30.92*

Note:* RoNW for the period ended June 30, 2020 has been annualized.

Source:RHP

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