

CAMS is India's largest registrar and transfer agent of mutual funds with an aggregate market share of approximately 70% based on mutual fund AAUM and serviced by CAMS during July 2020. The 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. They have 16 mutual fund clients with an aggregate of over 71.8 million accounts held as of June30, 2020.

| Issue Snapshot | |
|----------------|----------------------|
| Issue Open: | 21-Sep-20 |
| Issue Close: | 23-Sep-20 |
| Price Band | INR 1229 - 1230 |
| Issue Size | INR 22444 mn |
| Market Cap | INR 59959 - 60008 mn |

| Particulars | |
|-------------------|------------------|
| Fresh Issue | INR 0 mn |
| OFS Issue | INR 183 mn |
| QIBs | 50% of Net Issue |
| Non-institutional | 15% of Net Issue |
| Retail | 35% of Net Issue |

| Capital Structure | |
|---------------------------|------------|
| Pre Issue Equity | INR 488 mn |
| Post Issue Equity | INR 488 mn |
| Bid Lot | 12 |
| Minimum Bid Amount @ 1229 | INR 14748 |
| Minimum Bid Amount @ 1230 | INR 14760 |

| Shareholding Pattern (%) | Pre Issue (%) | Post issue (%) |
|--------------------------|---------------|----------------|
| Promoters | 43.5% | 31.0% |
| Public | 56.5% | 69.0% |

| Particulars | |
|------------------------------|--------|
| Face value | INR 10 |
| Book Value (31st Mar 2020) | 110.71 |
| EPS, Diluted (31st Mar 2020) | 35.54 |

Objects of the issue

Not Applicable

Investment Rationale

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.

MF RTA business is expected to grow at approximately 15% CAGR over the next five years

The industry is estimated to have grown at a CAGR of 17% in the past five years. According to CRISIL, the size of the MF RTA business was approximately INR 9 billion in financial year 2020 and the year-on-year growth in financial year 2020 had been 4%. After the onset of COVID-19 in the first half of financial year 2021, there has been a decrease in transaction volumes and hence the growth in financial year 2021 is expected to be muted. The mutual fund RTA industry overall is expected to grow at a CAGR of approximately 15% up to financial year 2025 and should reach a size of approximately INR 17.6 billion.

Enhanced digitization has had a positive impact on the business of MF RTAs
 With digitisation, there is no difference in service turnarounds for transactions submitted via paper from a remote location which, in turn, increases investor trust and confidence, both vital for growth. Manual processes are expensive, time consuming and increase the risk of operational errors, which digitisation of the industry has helped to improve. Greater automation is the key to providing clients with the most cost-effective, accurate and low risk solutions. Automation also will lead to a lower headcount, reducing turnover rates, training and re-training expenses and ensuring a greater focus on technological solutions that can be replicated by the MF RTAs across clients in a scalable and cost-effective manner.

Leadership position

CAMS is the most productive MF RTA with its monthly AUM per branch being the highest in industry. 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.

Alternate Investment Funds - the new avenues

AIF registered in India have grown significantly since SEBI regulations came into effect in 2012. As of May, 2020, there were approximately 674 AIFs registered with SEBI. The funds raised by AIFs increased from INR 227 billion as on March 31, 2016 to INR 1,717 billion as on December 31, 2019. The amount of investments made by AIFs rose from INR 182 billion to INR 1,421 billion during the same period. According to CRISIL, investments through AIFs are projected to grow at a CAGR of 30% to 35% between financial years 2019 and 2024

The Insurance repository business could aid substantial growth

Insurance repositories are a single stop shop for policy servicing and perform an array of functions for policy holders who have been issued a policy in electronic form. NSDL Database Management Limited and CAMS (39%) have a combined market share of approximately 84% based on e-insurance policies being managed and approximately 67% based on e-insurance accounts. Further, e-insurance policies and accounts have increased substantially in financial year 2018, growing over 100% and 61%, respectively, when compared with financial year 2017. The e-insurance policies have grown at a CAGR of approximately 55% between financial years 2015 and 2018 and einsurance accounts have grown at a CAGR of approximately 29% over the same period.

Outlook and Valuation

At the IPO price of 1230 the price discounts FY20 EPS at ~35x while the p/b multiple stands at ~11x. While valuations seem to price all that CAMS has achieved over the last decade in sync with the mutual fund industry, the advent of technology and increased speed of technology absorption due to COVID may not be very beneficial for the company. Future outlook will largely depend on the increase in AIF and insurance repository business improvement, which look very promising for the long term hence we advice investors to apply with a long term horizon.

Investment Rationale

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 RTA's 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.

MF RTA business is expected to grow at approximately 15% CAGR over the next five years

The industry is estimated to have grown at a CAGR of 17% in the past five years. According to CRISIL, the size of the MF RTA business was approximately INR 9 billion in financial year 2020 and the year-on-year growth in financial year 2020 had been 4%. After the onset of COVID-19 in the first half of financial year 2021, there has been a decrease in transaction volumes and hence the growth in financial year 2021 is expected to be muted. The domain expertise and longevity advantage that existing MF RTAs possess will propel their industry ahead, along with the rise in demand for equity funds and their rising importance in the mutual fund industry. The mutual fund RTA industry overall is expected to grow at a CAGR of approximately 15% up to financial year 2025 and should reach a size of approximately INR 17.6 billion. This is almost in line with the growth in the AUM industry. The fees, on the other hand, has lowered but according to CRISIL going forward, it is expected that the share of equity funds in schemes is likely to increase.

Enhanced digitization has had a positive impact on the business of MF RTAs

MF RTAs have been offering aggregated services and applications that help the investors better access their investments across mutual fund houses. By making use of applications of the MF RTAs, investors can access all their investments on-the-go from only one application. Having a technology platform and real -

time connectivity of service centres to the central data centre ensures high service standards, irrespective of investor location and mode. With digitisation, there is no difference in service turnarounds for transactions submitted via paper from a remote location which, in turn, increases investor trust and confidence, both vital for growth. Manual processes are expensive, time consuming and increase the risk of operational errors, which digitisation of the industry has helped to improve. Greater automation is the key to providing clients with the most cost-effective, accurate and low risk solutions. Automation also will lead to a lower headcount, reducing turnover rates, training and re-training expenses and ensuring a greater focus on technological solutions that can be replicated by the MF RTAs across clients in a scalable and cost-effective manner.

Leadership position

CAMS has the highest revenue in the industry and also witnessed the highest revenue growth in the past five years with a CAGR of 12.8% in between financial years 2015 and 2020. For the financial year 2020, the EBITDA margins and RoE of CAMS are better than its competitors. On a consolidated basis, the profitability of both Karvy Computer Share and Karvy were healthy in financial year 2020 with EBITDA margins being equal to or more than approximately 36% in their respective periods. CAMS is the most productive MF RTA with its monthly AUM per branch being the highest in industry. 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, whereas Karvys share has been declining. The top 10 AMCs had a cumulative share of approximately 83% as on March 2020.

Alternate Investment Funds - the new avenues

AIF registered in India have grown significantly since SEBI regulations came into effect in 2012. As of May, 2020, there were approximately 674 AIFs registered with SEBI. The funds raised by AIFs increased from INR 227 billion as on March 31, 2016 to INR 1,717 billion as on December 31, 2019. The amount of investments made by AIFs rose from INR 182 billion to INR 1,421 billion during the same period. According to CRISIL, investments through AIFs are projected to grow at a CAGR of 30% to 35% between financial years 2019 and 2024 and the growth will primarily be driven by:

- wealth managers increasingly selling AIF investments as an alternative to high net worth individuals;

- insurance companies and banks being eligible to invest in these instruments;
- increase in allocation to private debt by pensions and insurance companies; and
- offshore funds investing in India to earn higher yields.

RTAs support AIFs in the entire gamut of their operations by providing numerous services that if performed independently by the AIF results in higher investment and lesser operational inconvenience. Partnering with the RTAs that are operationally more equipped and focussed on these aspects helps the AIFs eliminate these limitations. AIFs usually require a similar bouquet of services as that by MF AMC's to carry out their operations. MF RTAs can leverage their technological and infrastructural investment to better service this industry.

The Insurance repository business could aid substantial growth

Insurance repositories are a single stop shop for policy servicing and perform an array of functions for policy holders who have been issued a policy in electronic form. The various benefits for policy holders to avail their services are (i) convenience in policy servicing; (ii) ease of usage; (iii) simplification of claims process; (iv) insurance services centres and online platform; (v) technology solutions for end to end management; (vi) agent management services; and (vii) renewal revenue management services.

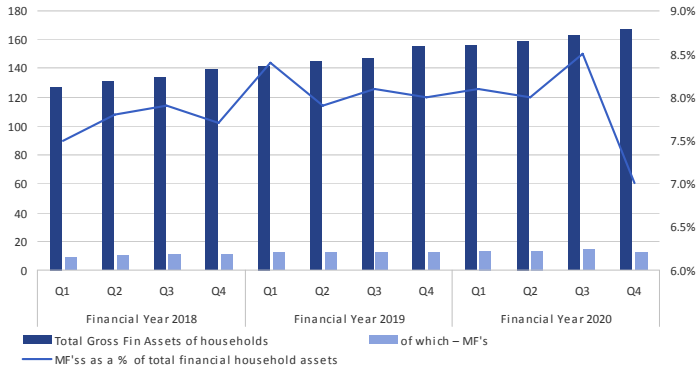
NSDL Database Management Limited and CAMS (39%) have a combined market share of approximately 84% based on e-insurance policies being managed and approximately 67% based on e-insurance accounts. Further, e-insurance policies and accounts have increased substantially in financial year 2018,

growing over 100% and 61%, respectively, when compared with financial year 2017. The e-insurance policies have grown at a CAGR of approximately 55% between financial years 2015 and 2018 and insurance accounts have grown at a CAGR of approximately 29% over the same period.

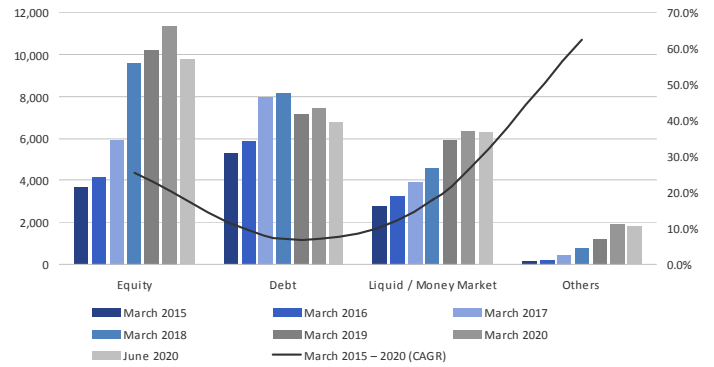
Outlook and Valuation

The current major income stream is from mutual funds and with ~70% share and business with nearly all major AMC's, leaves little scope for market share growth at a time when the MF industry has also logged smart growth, driven by PF and pension investments and increased retail participation visible through regular and increasing SIP inflows. We expect a short-term surge in MF investments as the labor force that joined the workforce since the 2008 collapse has for the first time seen such uncertainty and this should give rise to increased savings that has been lagging. Immense potential could also emanate from rural and semi urban parts of the country as well. AIF and insurance present a very promising new avenue where the industries could be at an inflexion point resulting in high growth rates for CAMS as well. At the IPO price of 1230 the price discounts FY20 EPS at ~35x while the p/b multiple stands at ~11x. While valuations seem to price all that CAMS has achieved over the last decade in sync with the mutual fund industry, the advent of technology and increased speed of technology absorption due to COVID may not be very beneficial for the company. Future outlook will largely depend on the increase in AIF and insurance repository business improvement, which look very promising for the long term hence we advice investors to apply with a long term horizon.

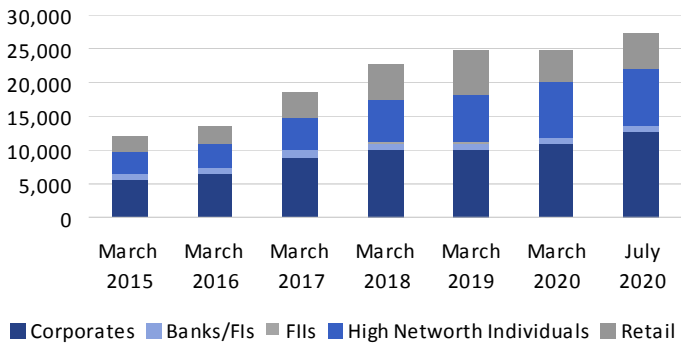
Share of mutual funds in outstanding position of total gross financial household assets



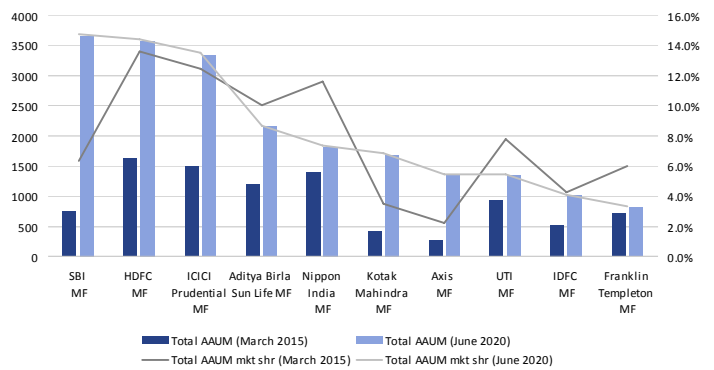
Trend is share of various mutual funds in QAAUM (INR billions)



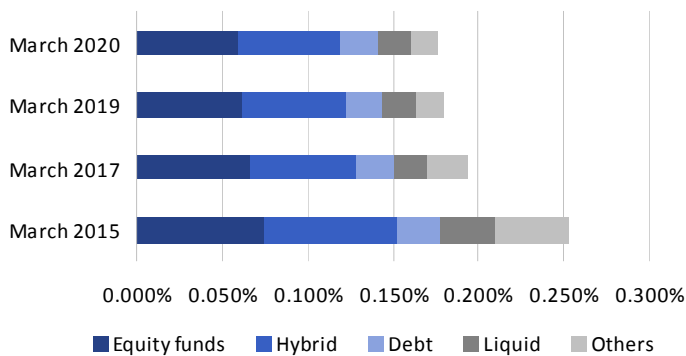
Share of AUM by investor classification (INR billion)



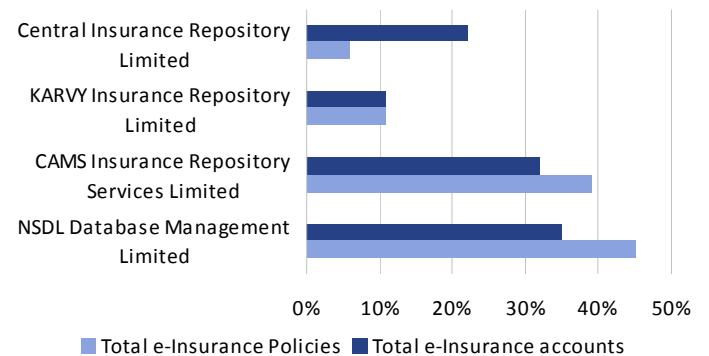
Market share of the top 10 AMCs (INR billion)



Trend in approximate fees charged by MF RTA as a %age of AUM



Total e-insurance policies and e-insurance accounts with each insurance repository



Financials

Income Statement

| Y/E (INR mn) | FY18 | FY19 | FY20 | 3MFY21 |
|------------------------------|-------|---------|--------|--------|
| Revenue | 6415 | 6936 | 6996 | 1486 |
| Expenses: | | | | |
| Employee Cost | 2263 | 2746 | 2580 | 645 |
| Operating and other expenses | 1568 | 1754 | 1544 | 326 |
| EBIDTA | 2584 | 2436 | 2873 | 514 |
| <i>EBIDTA Growth %</i> | - | -5.75% | 17.94% | |
| Interest | 79 | 105 | 97 | 23 |
| Depreciation | 402 | 504 | 485 | 107 |
| Other Income | 163 | 182 | 217 | 148 |
| PBT | 2266 | 2009 | 2508 | 533 |
| Tax | 803 | 700 | 773 | 124 |
| PAT | 1463 | 1309 | 1735 | 408 |
| Extra-ordinary Items | 0 | 0 | 0 | 0 |
| APAT | 1463 | 1309 | 1735 | 408 |
| <i>Growth (%)</i> | - | -10.53% | 32.52% | |
| EPS (INR) | 29.93 | 26.75 | 35.54 | 8.37 |

Key Ratios

| Y/E | FY18 | FY19 | FY20 | 3MFY21 |
|--|--------|--------|--------|--------|
| Per Share Data (INR) | | | | |
| EPS | 29.93 | 26.75 | 35.54 | 8.37 |
| CEPS | 38.26 | 37.18 | 45.52 | 10.55 |
| DPS | 15.00 | 22.47 | 12.18 | - |
| BVPS | 92.54 | 92.17 | 110.71 | 108.27 |
| Return Ratios (%) | | | | |
| RoACE | 36.71% | 31.95% | 34.58% | - |
| RoANW | 32.91% | 29.56% | 32.13% | - |
| Valuation Ratios (on issue Price) | | | | |
| P/e (x) | - | - | 34.61 | 36.74 |
| P/Ceps (x) | - | - | 27.02 | 29.14 |
| P/Bv (x) | - | - | 11.11 | 11.36 |
| Dividend Yield % | - | - | 0.99% | |

Balance Sheet

| Y/E (INR mn) | FY18 | FY19 | FY20 | 3MFY21 |
|-------------------------------|-------------|-------------|-------------|-------------|
| SOURCES OF FUNDS | | | | |
| Equity Share Capital | 488 | 488 | 488 | 488 |
| Reserves | 3948 | 3925 | 4911 | 4794 |
| Total Shareholders Funds | 4512 | 4494 | 5398 | 5282 |
| Current Liabilities | 1034 | 1318 | 1120 | 1677 |
| Trade Payables | 336 | 350 | 360 | 436 |
| Other Non Current Liabilities | 1059 | 1045 | 1035 | 959 |
| Total Liabilities | 6978 | 7363 | 8025 | 8355 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | 3235 | 3200 | 2985 | 2784 |
| Cash & Cash Equivalents | 74 | 49 | 232 | 29 |
| Trade Receivables | 225 | 270 | 320 | 436 |
| Investments | 2161 | 2305 | 3056 | 3155 |
| Other Current Assets | 722 | 785 | 729 | 717 |
| Total Assets | 6978 | 7363 | 8025 | 8355 |

Cash Flow

| Y/E (INR mn) | FY18 | FY19 | FY20 | 3MFY21 |
|--------------------------------------|---------------|---------------|--------------|--------------|
| EBT | 2266 | 2009 | 2508 | 533 |
| Add: Depreciation | 402 | 504 | 485 | 107 |
| Add: Interest paid | 79 | 105 | 97 | 23 |
| Less: Income tax paid | (892) | (756) | (831) | (108) |
| Change in Working Capital | (47) | 193 | (101) | (57) |
| Cash Flow from operations (a) | 1619 | 1868 | 2012 | 390 |
| Change in Fixed Assets | (389) | (348) | (150) | (14) |
| Change in Investments | 184 | 24 | (707) | 20 |
| Other | 15 | 12 | 18 | 5 |
| Cash Flow from Investing (b) | (189) | (312) | (839) | 11 |
| Change in Equity | 0 | 0 | 0 | 0 |
| Debt Raised/(Repaid) | (143) | (159) | (179) | (54) |
| Dividend paid | (1164) | (1321) | (716) | (544) |
| Interest Paid | (76) | (102) | (95) | (23) |
| Others Paid | (7284) | (9577) | (12796) | (6621) |
| Cash Flow from Financing (c) | (1384) | (1581) | (989) | (604) |
| Net Change in Cash (a+b+c) | 46 | (25) | 184 | (203) |
| Opening Cash | 28 | 74 | 49 | 232 |
| Closing Cash | 74 | 49 | 232 | 29 |

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| NSE Future & Option | INZ000241036 |
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| BSE Cash | INZ000241036 |
| BSE Currency Derivatives | INZ000241036 |
| MSEI Cash | INZ000241036 |
| MSEI Future & Option | INZ000241036 |
| MSEI Currency Derivatives | INZ000241036 |
| Mutual Fund | ARN 77388 |
| CDSL DP | IN-DP-CDSL-485-2008 |
| NSDL DP | IN-DP-NSDL-316-2009 |
| SEBI Research Analyst | INH100002615 |
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