



## COMPUTER AGE MANAGEMENT SERVICES LIMITED - IPO

Offer Period	Bid/Offer Opens On: Monday, 21st September, 2020*
	Bid/Offer Closes On: Wednesday, 23rd September, 2020
	*The Anchor Investor Bidding Date shall be 18th September, 2020
Issue Details	Offer for Sale of upto 12,164,400 Equity Shares
Issue Size (₹ Cr)	₹ 2,240 Cr - ₹ 2,242 Cr
Price Band	₹ 1,229 - 1,230
Bid Lot	12 Shares and in multiple thereof
Employee Reservation	182,500 Equity Shares
Employee Discount	₹ 122 per Equity Share
QIB	50% of the Net offer ( up to 9,032,050 Equity Shares) (₹ 1,110~Cr - ₹ 1,111^ Cr)
NIB	15% of the Net offer ( Up to 2,709,615 Equity Shares) (₹ 333~Cr - ₹ 333^ Cr)
Retail	35% of the Net offer ( Up to 6,322,435 Equity Shares) (₹ 777~Cr - ₹ 778^ Cr)
	~ Lower price band and ^ Upper Price Band
BRLM	Kotak Mahindra Capital, HDFC Bank, ICICI Securities, Nomura Financial
Registrar	Link Intime India Pvt. Ltd.
Listing	BSE
<b>Note: Application made using third party UPI or ASBA Bank A/c are liable to be rejected.</b>	

Registrar and transfer agent CAMS will issue its initial public offering (IPO) on September 21, 2020. The issue will close on September 23, with a price band of Rs.1229-1230 per equity share, said the company press release.

The company will float 1.82 crore equity shares. Of these shares, the company has reserved 35% of net IPO offerings for retail individual investors. Overall, the company aims to raise Rs.1500 crore through this IPO issue.

The company has capital sponsorship from Great Terrain (an affiliate of Warburg Pincus), HDFC Limited, HDFC Bank and NSE Investments.

Kotak Mahindra Capital, HDFC Bank, ICICI Securities and Nomura Financial Advisory and Securities (India) are the lead managers to the issue

Indicative Timetable				
Activity	On or about			
Finalisation of Basis of Allotment	28-09-2020			
Refunds/Unblocking ASBA Fund	29-09-2020			
Credit of equity shares to DP A/c	30-09-2020			
Trading commences	01-10-2020			
Issue break-up				
Reservation for	No of Shares	Amount ₹ Cr		% of Issue
		Upper	Lower	
QIB	9,032,050	1,110	1,111	50%
QIB - Anchor	5,419,230	666	667	-
QIB - Other	3,612,820	444	444	-
NIB	2,709,615	333	333	15%
Retail	6,322,435	777	778	35%
CAMS Emp	182,500	20	20	-
<b>Total</b>	<b>18,246,600</b>	<b>2,240</b>	<b>2,242</b>	<b>100%</b>
<b>Listing: BSE</b>				

## Company Financial Performance

Here is the financial performance of the company in the last few years (consolidated).

Fin. Year ending	Total Revenues (Rs in Crores)	Profits after tax (Rs in Crores)	Profit %
Mar-2018	657.8	146.3	22.2%
Mar-2019	711.8	130.0	18.3%
Mar-2020	721.3	173.4	24.0%

Its average EPS in the last 3 years is Rs 31.68 and FY2020 is Rs 35.54.

Also Read : [IPO Tricks, IPO Mistakes & IPO Myths](#)

### CAMS IPO – Reasons to Invest

Here are a few reasons to invest.

- 1) 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.
- 2) Steady revenue growth in the last 3 years.
- 3) CAMS generating steady margins in the last few years.
- 4) Company is following a dividend policy of distributing 65% of PAT and as per prospectus they would continue to follow this policy in future too.
- 5) CAMS employees would get a discount of Rs 122 per share.

### CAMS IPO – Reasons why NOT to Invest

- 1) Company has been successfully generating revenues from mutual funds business. Now it intends to focus on other business. It may or may not be able to be successful.

MF TERs (Mutual fund total expense ratios) have come down and hence the RTA MFs charges % also came down, because honestly speaking when the MF company itself is earning less, it will try its best to squeeze its vendors too. We see in the P&L section how the company has delivered mediocre growth in 3 years.

	March 2015	March 2017	March 2019	March 2020
Equity funds	0.075%	0.067%	0.062%	0.059%
Hybrid	0.078%	0.061%	0.060%	0.060%
Debt	0.024%	0.022%	0.022%	0.022%
Liquid	0.033%	0.020%	0.020%	0.020%
Others	0.043%	0.024%	0.016%	0.015%

2) Company intention to grow other businesses might require huge business and may not yield results.

As an RTA, they are subject to periodic audit inspections by the SEBI. Noncompliance with observations made by the SEBI during these inspections could expose us to penalties and restrictions.

2) The coronavirus disease (COVID-19) has had an adverse effect on its business and operations and the extent to which it may continue to do so in the future, is uncertain and cannot be predicted.

3) 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.

4) Significant disruptions in its information technology systems or breaches of data security could adversely affect its business and reputation.

5) They derive 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.

6) NSE needs to divest its share in CAMS. Post this the company shares would get listed on NSE too.

7) For complete internal and external risk factors, you can refer the RHP of the company.

If you see the upper price band of Rs 1,230, issue price looks very high and many think it worth investing in this IPO. CAMS IPO in grey market is trading at a premium. The valuation can be checked only with P/E Ratios.

1) On the upper price band of Rs 1,230 and EPS of Rs 35.54 for FY20, the P/E ratio works out to be 34.6x.

2) For last 3 years EPS of Rs 31.68, P/E ratio is 38.8x.

3) Means, the company is asking the issue price of Rs 1,230 in the P/E range of 34.6x to 38.8x.

4) There are no listed peers (CDSL can be used as peer but not fully) to compare whether the issue price is under priced or overpriced. While it is not apple to apple comparison, but if we check NIFTY50 current P/E is at 33x, NIFTY Bank P/E at 25x and NIFTY Next50 is 34x. Considering some of these indices, **CAMS IPO Price is over priced.**

**You may get some listing gains looking at IPO Euphoria. But it is costly at this IPO price.**

Also Read : [IPO Tricks, IPO Mistakes & IPO Myths](#)