

NSE buying 45% in CAMS, Advent to exit

BY ANURADHA VERMA

American PE firm Advent had first invested in India by picking up a minority stake in CAMS for nearly \$90 million in 2007.

India's biggest bourse in terms of volumes in equity trades, National Stock Exchange has signed an agreement to acquire 45 per cent stake in Chennai-based Computer Age Management Services (CAMS), which offers technology solutions to mutual funds and other financial services. The deal is routed through NSE's arm Strategic Investment Corporation.



The financial details of the transaction stand undisclosed but The Economic Times said it could be in the range of Rs 540-675 crore or up to \$108 million, citing sources.

This is a secondary deal with the 45 per cent stake being acquired from US-based private equity firm Advent International besides other shareholders namely HDFC, HDFC Bank and Acsys Software India.

Advent, which has \$26 billion under management globally, had first invested in India by picking up 30 per cent stake in CAMS for nearly \$90 million (Rs 350 crore back then) in 2007. If the deal is indeed worth less than \$110 million, Advent could be exiting with around 29 per cent returns in local currency in its six year old investment and a haircut in dollar terms, as per VCCircle estimates.

Following the deal, remaining 55 per cent equity stake will be held by Acsys Software India Pvt Ltd and HDFC Group.

The acquisition will help the NSE, which started operations in 1994 with a fully electronic trading platform, to increase its footprint in the mutual fund transaction and distribution space and will also improve volumes on the mutual funds trading platform on the NSE.

CAMS, which provides services to 18 mutual fund groups in India, is responsible for around half of all mutual fund transactions processed across the country. The company also offers services to insurance industry.

"This association will bring in unique capabilities in expanding the reach of mutual funds and other financial products through the exchange infrastructure of member terminals across the country, apart from its unique capabilities in governance of members, settlement and market making," NSE said in the filing.

The transaction will not result in any change in CAMS management team and structure.

Earlier in October 2010, rival exchange BSE had proposed to pick 51 per cent equity stake in CAMS for Rs 650 crore. However, the deal did not materialise after the capital markets regulator Securities and Exchange Board of India cited conflict of interest.