An Eye for Detail

The Chronicle of CAMS

Sriram V

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Sriram V

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Foreword

It feels as though it was just the other day that India unshackled its economy. Yet, it is almost 25 years since that milestone was crossed. During this period, India has seen a complete transformation in business and the financial services sector. Several established business houses ceased to exist. Companies that survived and grew during this transition had to rapidly adapt to a changing environment. It was during this phase as well that many new world-class Indian enterprises also emerged.

One aspect is common across entities that are at the forefront of the economy – "knowledge". This can manifest itself in various ways – information technology, business processes, manufacturing, logistics, finance, amongst several others. In some entities, specialisation is restricted to a single organisation, while in others it may be across an entire industry. It is in the latter category that Computer Age Management Services Private Limited or CAMS as it is better known, has made its mark.

Beginning as a software development firm like thousands of others in the country, the company was astute in studying market trends and adapting itself. It saw an opportunity initially in share registry services from where it moved on to handling initial public offerings. It then hit a sweet spot in becoming a Registrar and Transfer Agent (RTA) for the mutual fund industry. This phase saw the company reaching great heights. From that vantage point, the organisation now seeks to look at an array of other financial sectors

– handling documentation requirements in banking, insurance and microfinance.

This business is inherently different. It involves the handling of public money – all of it in the name of investors and fund houses. This is a sensitive operation, one that demands perfection in understanding processes and ensuring timely delivery. Above all, there is really no scope for error of any kind. That CAMS has remained a market leader in this space for so long indicates that the company has managed to walk this tightrope of perfection, balancing the twin demands of accuracy and speed. CAMS radically changed the customers' experience as far as investing in mutual funds is concerned. The company's emphasis on building a customer centric organisation has held it in good stead all these years.

The journey so far owes much to the vision and skills of the founder, V Shankar and the team that now runs the operations of the company. Having personally known Shankar over the years, he embodies traits of a self-made, sincere, conservative, yet low profile entrepreneur, always placing his company's interests before his own.

CAMS' journey thus far of 25 years is a perfect case study of a success story based on principles and ethics. In the hands of corporate biographer and historian Sriram V, it emerges an engrossing read – one that entrepreneurs, students of business management and corporate executives will do well to study.

I wish CAMS and its team all the very best in their future.

Deepak Parekh
Chairman – HDFC Limited

Author's Note

This is a rare instance where the subject of a corporate biography that I have written is younger than I. CAMS is after all just 28, whereas I happen to hover at 50. What then is there that needs to be commemorated or celebrated in this company?

The answer may not be apparent to those who are probably as old as CAMS or younger. But to those older than that, the reasons will be evident as you read the rest of this note. We grew up in an era of scarcity and austerity. Hardly any household had a car and as for a telephone connection, just forget it – the waiting list extended to over several years. We were a nation that had learnt to live with and accept shortages of every kind. Underperforming monopolies were the order of the day. To those of us who grew up then and aspired for something better, all this was frustrating.

Then came the Maruti wave and a decade later, the winds of change that blew in liberalisation. The Indian IT and auto sectors grew to become world class and along with them came the expansion of the financial sector. Suddenly, our nation was the cynosure of all eyes. People began to talk of investing in India and it became a favoured destination. True, all this brought about several problems in its wake, but none of it is insurmountable. At least everyone now has an environment where excellence is recognised and has its own value.

The story of CAMS is the story of a success in a new world – of tough competition, of surviving on hard work and merit, of being forever at the cutting edge of technology and of on-time delivery, always. If the company were to slip up on any of these parameters, it would find it hard to survive. Thirty years ago, there would hardly have been market conditions for such an entity to exist. And yet, today, here it is, a market leader, looking to new ways of doing business to grow and remain relevant for all times to come.

Writing the story, I felt proud and happy, that I could document such an organisation – one that grew on its own merits. This is the story of post- liberalisation India. The journey thus far had its ups and downs and the future will have its challenges, but this is the kind of company that will flourish, as long as it remains true to its values. And, somewhere deep inside me is also the happiness that this is a company based out of Chennai aka Madras, the city that is so dear to me and whose culture and heritage I seek to espouse.

During the course of researching and writing this book, I was greatly helped by Venkatesh Krishnamoorthy, my unfailing research assistant in many projects. I am also grateful for the time that several CAMS executives spent with Venkatesh and me, answering our questions and giving us information as needed. All of them are quoted in the book at various places by way of acknowledgment. The idea for this book came from V Shankar, the founder of CAMS. I am thankful for the time he spent in various meetings, reading the manuscript and helping it assume its present shape. Many thanks also to NR Sudarshan, General Manager, for coordinating the various interviews.

The culture of a company is best seen by the etiquette practised across various levels. That service of the best kind is the credo at CAMS came across to me when I visited the company on various occasions during the course of my research. I had then fractured my foot and the manner in which the receptionist and security guards ensured that I could comfortably make it to the various meetings was most commendable. I remember them all with gratitude.

Rukmini Amirapu as editor and Malvika Mehra as designer have worked with me on many books and bringing this one out has been rather unusually a smooth exercise. My thanks to R Venugopal who works with Malvika in typesetting the book and giving it its final look. Many thanks to Sudarshan Graphics for printing the book.

Sriram V
Chennai
July 2016

Chapter 1

Finance, as a Business in India

There is no denying that while India may be an ancient country with a rich culture and heritage to boast of, its business history is of relatively recent origin. Much of Indian industrialisation, in the modern sense, is just about a century old. Though Thomas Parry, Welshman by birth, began a tannery at San Thome in Madras in the early 1800s and qualified to be called the first Indian industrialist, much time was taken for Indian enterprises to acquire critical mass. The Government of Madras set up a Department of Industry in 1911 to encourage Indians to get into manufacture of some kind. The British business houses, all of whom were into trading and content with the export of raw material and the import of finished goods, were opposed to it, but the Government persevered. Gradually, in ones and twos, Indians stepped forward with much trepidation. Pencils, buttons, aluminium vessels, yarn and leather were the first to be taken up. A few ambitious ones ventured into iron and steel. By the 1940s, chemicals were another area that Indians invested in.

Soon, the world of finance was to see a more eager participation. Money lending, chit funds, native banking and insurance were all familiar businesses for Indians. The value of currencies in the various princely states rose and fell based on their relative prosperity and so an informal system of exchange too, existed. The Chettiars, the Chetties, the Marwaris, the Seths and the Shroffs – were all communities associated with the world of finance. Indians had an evolved system of bills of exchange – the hundi, which was recognised all across the country. But still, it was only in the 20th century that a formal financial industry took shape and grew. Till then, it was the British banks that largely dominated the show. These rarely if ever lent money to Indians, preferring to promote businesses run by their countrymen.

Strangely, while Bombay was always the business capital and Calcutta the imperial headquarters, it was Madras that would lay down the systems and show the way for Indians to take to finance. The early 1900s were a time when India was still mostly an agrarian economy and so the first financial innovations came about to cater to farmers. The Government of India passed the Co-operative Credit Societies Act of 1904 and immediately thereafter, Madras saw a group of worthies setting up the Triplicane Urban Co-operative Society (TUCS), the country's oldest, and which still survives as a Government-controlled consumer co-operative society. The Madras Urban Co-operative Bank came up a year later and evolved into the Tamil Nadu Apex Co-operative Bank.

Banking and finance as run by Indians would have remained a pipedream had it not been for the collapse in 1906 of one of the biggest British banks of India – Arbuthnot & Co. Headquartered in Madras, it was considered unsinkable but sink it did, leaving thousands of Indians impoverished. This led to lack of confidence in British businesses and a debate among educated and well-to-do Indians as to whether they would not be better off running their own financial houses. It was therefore in 1906 that the first bank to be run by Indians, and appropriately named the Indian Bank, was set up in Madras. Some of the others that followed suit in the aftermath were the Canara Bank, the Bank of Baroda, the Central Bank and the Corporation Bank. These were however all small banks, and none could be compared to the British banks, the largest of which was the Imperial Bank of India, formed in 1921 by the amalgamation of the Banks of Bengal, Bombay and Madras. But nevertheless, they did pave the way for the development of a nascent financial industry.

Soon many Indians began to venture into allied areas – insurance being one of them. But what received a big boost was an institution that existed from earlier – the stock exchange. It was in 1875 that one such body, known as The Native Share and Stockbrokers Association of India, was set up in Bombay. Now known as the Bombay Stock Exchange (BSE), it is Asia's oldest such entity. The Ahmedabad Shares and Stockbrokers Association came up in 1894, followed by the Calcutta Stock Exchange Association in 1908. Madras took its time, setting up a bourse only in 1920. The Great Depression of the 1930s saw many stock exchanges close but several reopened during the boom years of the Second World War and by the time of Independence there were at least five officially recognised ones – Bombay, Ahmedabad, Calcutta, Madras and Delhi. It was also during the 1930s that the idea of a central banking institution was mooted. The Reserve Bank of India (RBI) was set up on April 1, 1935 as an entity that would "regulate the issue of bank notes, keep reserves to secure monetary stability in India, and generally operate the currency and credit systems in the best interests of the country". In the early years, the RBI was to closely align itself with the Imperial Bank of India, whose premises it shared. This was to change when India became a free nation.

Independence was to bring about a sea change in the way business was done in India. The British firms became apprehensive about their future in the country and several opted to sell out to Indian entrepreneurs. In the financial sector, this saw the changing of hands at various non-banking companies and stockbroking firms. Most retained their old British names in order to have a sense of continuity and reassure their established clientele. The new Government however made it clear that it was all for ushering in change, and at the same time keep a tight control over what was happening in the industry. India was opting for a controlled and planned economy, modelled on socialist patterns. In its first attempt at regulating the stock market, the Government established the office of the Controller of Capital Issues (CCI) in 1947. New companies were allowed to issue shares only at par, while existing companies with substantial reserves could issue shares at a premium, which had to be calculated in accordance with norms set by the CCI. These were always based on an estimate of fair value and not on the prevailing market price.

There was more control to follow. The Government released its Industrial Policy Resolution in 1948, which envisaged a mixed economy as the suitable basis for India's development and emphasised not only an increase in production but also its equitable distribution – the seeds of what we would recognise today as the now internationally discarded socialist model. Defence industries, atomic energy, and railway transport were to be monopolies of the Central Government. New ventures in coal, iron and steel, aircraft manufacture, shipbuilding, telephone, telegraph and mineral oils were to be preserves of the public sector.

What was left to private enterprise also came under severe Governmental control. The Centre issued licences for manufacture based on 'felt need' and this dictated the number of players in each industry, the locations of their factories, their manufacturing capacities, their foreign collaborations, the amounts paid to each collaborator and even the salaries of senior executives. Appointments of any foreigner in positions of responsibility needed Government approval. This was the beginning of what would later be known as the licence-quota Raj of the Government of India. The world of finance too felt the impact. The Banking Companies (Control) Ordinance of September 1948 paved the way for the control of the banking system. The RBI was authorised to issue directives to banking companies in regard to their lending policies and to call for periodic returns from banks. To make this more effective, the RBI itself was nationalised in January 1949.

The 1950s were to see a cautious but planned growth of the country's economy. This was, as a history of the Reserve Bank of India puts it, "a brave new period of institution building where the structure for agricultural and industrial credit was formalised, development banks established and state financial corporations set up." This was also when India became a republic and shortly thereafter embarked on growth through a series of Five Year Plans. The First Plan focused on agriculture but industrial growth began to receive greater attention from the Second Plan onwards. To facilitate this, the Industrial Credit and Investment Corporation of India (ICICI) was set up in January 1955, under the aegis of the Government, the World Bank, and representatives of Indian industry. Its main purpose was to provide medium and long term project financing to Indian businesses. Six months later, the Imperial Bank of India, long perceived to be the preserve of big business interests, was nationalised and renamed the State Bank of India.

Not everyone was impressed. The Bombay-based industrialist AD Shroff began the Forum of Free Enterprise in 1954 as a reaction to the levels of controls. It was his claim that if the "Government of India shed some of their impractical ideologies and extend their active support to the private sector, very rapid industrialisation can be brought about within the next ten years". But that was not to be. The country had in fact embarked on a route where entrepreneurs and Government were to be forever in a game of one-upmanship, the former trying to find loopholes in the law to expand their activities and the latter trying to plug them all. The system, on paper meant to ensure equal if slow growth, became in reality the fiefdom of a favoured few who knew how to manipulate it. Ramkrishna Dalmia was perhaps the first, with his Bharat Insurance being used to acquire other companies. An investigation culminated in the wholesale nationalisation of the entire life insurance sector in 1956! That this did not in any way cleanse the system became clear when a year later a bigger scam surfaced, wherein the newly set up state-owned Life Insurance Corporation of India was used by the industrialist Haridas Mundra to play the stock market. The debacle was to claim many scalps, including that of the then Finance Minister, TT Krishnamachari.

A difficult decade followed, during which India suffered near famine conditions, war time problems and several other crises. Industry and economy suffered, leading to what was derisively recorded as the 'Hindu rate of growth' at 3.5 per cent for the Gross Domestic Product. A small beginning in mutual funds was made with the setting up of the Government controlled Unit Trust of India in 1963. There was brief hope of economic change in 1966 when the rupee was devalued but as this was not accompanied by the freeing up of the trade and licence regimes, growth tanked once again.

Beginning with 1968, political compulsions saw the country taking a leftist turn. Several large banks were nationalised as were a whole range of other industries. In 1977, the newly elected Janata government expelled foreign firms such as IBM and Coca Cola from the country. Certainly, profit, investment and trade were all bête noire in India for more than two decades.

The 1980s were to see a gradual change in attitudes. India had clearly missed the bus while countries with a comparable history such as Japan, South Korea, Singapore and Taiwan had forged ahead. Industrialists such as JRD Tata began speaking out against the shackling of Indian business houses and suggesting greater freedom. The Government began to respond slowly. In the early 1980s, it began relaxing its controls over the two-wheeler industry. In 1981, in order to overcome what was perceived to be the technological backwardness of this sector, foreign collaborations were permitted for the manufacture of two-wheelers with an engine capacity not exceeding 100cc. This brought about a spate of projects, most of them directed towards manufacture of motorcycles. A couple of years later, the Government introduced what it termed as 'broad banding', relaxing for the first time its stranglehold on the product mix of each and every manufacturing industry. This gave firms the flexibility to choose an optimal product and capacity mix which could better incorporate market demand into their production strategy and thereby improve their capacity utilisation and efficiency. These reforms had two major effects on the industry; the licensed capacity for two-wheelers shot up, and several weak players died out, leaving the field to the more dynamic ones.

The Government had also inadvertently set off an automobile revolution. The idea of a people's car, one that would be inexpensive on the road had been on the anvil since the 1960s. A decade later it was to transform into a project that would gain notoriety thanks to its being promoted by the then Prime Minister's son Sanjay Gandhi. But with his death in 1980, the company, Maruti Udyog Limited, was taken over by the Government. With a dynamic team at the helm led by V Krishnamurthy and RC Bhargava, the project took off, with Suzuki of Japan being the collaborator. The people's car, Maruti 800, launched in 1983, was to revolutionise the way India looked at cars. Gone were the days when purchasing a car meant a waiting list of several years. Maruti's annual capacity was equal to that of all the other car manufacturers of India. It showed the latent demand India had for automobiles. With its unyielding stance on quality, Maruti also brought in an auto component revolution in the country, with many ancillary units springing up.

By the mid 1980s, the country was gearing up for a technological revolution as well. The Prime Minister, Rajiv Gandhi began speaking of ushering India into the 21st century. That meant a digital shakeup, beginning with the telecommunication industry. This in turn heralded the birth of the information technology or IT sector. Those were still early days, nevertheless, a new trend had been set in motion. Indian industry began growing at 5.5 per cent a year, with the manufacturing sector growing at 8.9 per cent. Market capitalisation grew from Rs 68 billion in 1980 to Rs 550 billion in 1989.

The winds of change swept in many a startup. One among these was Computer Age Management Services (CAMS), founded by V Shankar. He had graduated from the Indian Institute of Technology, acquired a Master's degree in business administration at the Indian Institute of Management, Calcutta, and was working for the fast moving consumer goods (FMCG) major, Ponds India Limited. Let us follow CAMS trajectory for the rest of this story.

Chapter 2

Software for a Start

The first interview for this book was with Shankar and took place at the offices of Acsys (now Sterling) Software India Pvt Limited, a company that focuses on software for the finance industry. The premises are in the annexe of Spencer's Mall on busy Mount Road. It is indeed ironic that someone whose whole life has been in the new world of software, mutual funds and shares should be speaking about it in the shadow of Spencer's – the oldest retail business house in the city, dating back to the 1880s. Shankar is of the view that much of what CAMS did in its 28-year journey thus far, has been path breaking and is deserving of a detailed documentation, which is the raison d'etre for this book.

"I was one of the few people in my batch at IIT who chose not to go abroad. In fact, there were just eight of us who thought we were better off working here. I then did an MBA at IIMC and joined Ponds. That was a company with a phenomenally creative atmosphere. V Narayanan, who was then the Chairman and Managing Director, was a man who would pay undivided attention to the process of recruitment. Once he had selected a person, he would allow for a lot of freedom so that the new recruit could learn on the job. We would be rotated around the various departments and learnt all aspects of the business."

Among the functions at Ponds, it was Data Processing, what would today be classified as Information Technology, that attracted Shankar the most. "We were just then decentralising," he recalls. "The company was moving away from the huge mainframes and was installing desktops. I discovered that there was a lot that could be done with them. You did not need to know programming for using Lotus 1-2-3 (the then Excel) for instance. I worked long hours at it and soon mastered all the desktop tools."

In 1987, Ponds was taken over by Unilever. Policies changed and the intimate atmosphere of the old company was soon replaced with the bureaucracy of the Anglo-Dutch behemoth. Many were not comfortable with the transition and left. Shankar was one of the early ones, putting in his papers by end 1987. He decided that he would strike out on his own, in the area of software development.

Shankar's wife Vijayasudha (Sudha) was then working for the Computer Maintenance Corporation, one of India's first companies in that line of business. "Having completed my B Com in 1984, I wrote an entrance test for joining CMC and was selected. It was while working there that I married Shankar," she says. CMC had just then introduced the IBM 4361 and Sudha joined a team that was working on COBOL programs for various business enterprises.

Those were the early days of India's IT industry, now held up as a model for the economic reforms that India underwent from 1992 onwards. It owed its origins to several factors, some of which went back by several decades – the Nehruvian vision of building institutions of excellence such as IIMs, IITs and other top ranking technical colleges being one of the principal contributors. By the

1980s, the products of these institutions were reaching a critical mass. Another factor was a singularly maladroit move of the Government in 1977 – the expulsion of IBM that immediately necessitated some other organisation stepping in to manage the 800 or so computer installations that that company was maintaining in India. CMC, that Sudha worked for, and then named Computer Management Corporation Limited, was set up by the Government as a wholly owned undertaking for this very purpose in 1978. By 1980, the company began to focus on IT system improvements, one of its significant achievements in 1985 being the Indian Railways Reservation process. By then, the company had changed its name to Computer Maintenance Corporation but its principal area of focus had become software and systems development for power transmission, meteorology and railway freight.

The CMC effect spread across the country and several companies, some of them the IT giants of today, came into existence. Among the many hopefuls of similar success was Swathi Enterprises – the company formed by Shankar and Sudha but owned entirely by her. Given her experience in the area of IT, and considering that he would need time to leave Ponds, Shankar and she decided that their new business venture would be registered in her name. Sudha also states that her father, S Venkitaramanan, who would later become the Governor of the Reserve Bank of India, was greatly encouraging. Swathi Enterprises thus came into existence early in 1987 with focus on data entry and software development for small enterprises. The main activity concerned automation of business sub processes such as excise duty computation and accounts. “Shaw Wallace was one of our clients,” says Sudha. “But we were also into some other things, including horoscope generation,” she laughs. Swathi Enterprises purchased software for astrology from a well-known practitioner in the field and used to generate horoscopes. “Rs 30 for Tamil and Rs 35 for English versions. Later the cost went up to Rs 45! All this was even before Shankar joined us. We had a small office in Lakshmi Bhawan off Mount Road. I also had a couple of employees, and we used to open the shutters each morning ourselves. What was interesting was that even after we grew big, we continued churning out horoscopes for much longer. It was pocket money of sorts for me.”

Shankar joined the company in 1988. “It was a drastic shift across many levels,” he says. “Leave aside aspects of financial security, even having to go and get your cup of tea from the shop below was a revelation.” Shankar decided to move Swathi Enterprises into the development of enterprise resource planning (ERP) software for small companies. Indira Viswanathan was the first employee. Now a senior professional working for a software giant, Indira recalls the early days at Swathi Enterprises with much fondness. “We developed a mini-ERP named BOSS (Business of Software Solutions),” she says. “It basically consisted of modules like sales, inventory, accounts payable, accounts receivable – mostly the software applications of a sales organisation inside manufacturing companies. It was customised to suit client needs and probably a couple of them used all the modules. I worked on the accounts of Ponds, Shaw Wallace, Century Flour Mills, English Electric and a chemical company at Ennore.” Indira holds the Swathi Enterprises experience to be invaluable. “I was involved in the entire software development cycle,” she says. “My duties began with going to the customer and understanding their requirements and ended with support and maintenance. Very few people today get that kind of exposure.”

By the time S Chandrasekar joined Swathi Enterprises in 1988, the company had begun placing personnel on projects at various customer sites. Sekar, as he likes being referred to, now heads the IT function at a bank in the Middle East. He recalls being interviewed by Shankar. "Swathi's employees went to customer locations to work alongside the client's technology teams in implementing changes to architecture, or developing new applications, as the need may be," he says. Sekar was sent to work at Ashok Leyland Limited, which was then in the throes of migrating from legacy architecture into an SQL-based system. This needed a joint effort from the Swathi Enterprises and Leyland technology teams. After sometime, Sekar was asked to work at the Ashok Leyland factory at Hosur, where the migration was happening. He had a four-member team with him.

In the meanwhile, Shankar was looking for opportunities abroad as well. Indira remembers the first overseas customer – Enamelled Wire and Cable, from Singapore. When the requirement came in 1989 for someone to travel to that country for an initial interaction with the client, Shankar chose Indira because she was Swathi Enterprises' first employee. She obtained her passport in record time, and recalls that there was jubilation at home as an employee being sent abroad was a rare occurrence those days. She also remembers Shankar coaching her on how to deal with clients.

Soon it was Sekar's turn to travel as well. He was to be sent to the United States of America to scout around for business. Based out of Philadelphia, his mandate was twofold. "Provide software services as done to Leyland and others in India, to small and medium businesses in the United States and also look for data entry/ processing opportunities. Before the trip, Shankar made every effort to educate me on interacting with customers through mock interviews and individual training sessions. He would get people in the office to fire a volley of questions at me. Having observed my responses, he would advise me on how to talk, what to say and how to impress the customer. I was overawed by Shankar's ability to conduct such exercises. He made sure I developed a culture of preparing myself before meeting up with customers and this helped."

In the USA, Sekar used to scan local newspapers for opportunities, talk to people, and also have meetings with some identified prospects to get an insight into the market. The results were not encouraging. At that time, India was not yet the software hub that it would become five years hence. The country still lagged behind on skills. Thus when Sekar was in the US, technological solutions there were moving towards graphic interfaces, whereas Indian software was still character-based. This posed a serious disadvantage. There were other challenges as well. The developers were informed of the customer requirements on phone and through letters. Email was not popular then and was also prohibitively expensive. All this retarded Swathi Enterprises' foray into the United States market. Sekar felt that the company would be better off developing a product rather than be a service provider, but Shankar demurred. In hindsight Sekar opines that Shankar had probably realised that a product focus would not work in the long term for Swathi Enterprises - a product company needed investment and marketing muscle to succeed. Moreover, developers and other skilled people are needed in droves to ensure a product keeps evolving to suit market requirements.

The US sojourn was not entirely in vain and Swathi Enterprises did succeed in creating front and backend solutions for a concierge service in a restaurant. After that one success, Sekar returned to India. On his return, he went to Bombay to work with another of Swathi Enterprises' customers, Hoechst, the pharmaceutical company. Another early employee, Mahesh Badri, worked on a project at the English Electric Company. He recalls the excitement at Swathi Enterprises when Shankar purchased a flatbed scanner, "perhaps one of the first ten in the country". Mahesh felt that

Swathi Enterprises ought to be in desktop publishing and Shankar enthusiastically agreed. Many corporate newsletters were churned out from Lakshmi Bhawan.

Both Indira and Sekar recall that Swathi Enterprises had a family-like atmosphere with Shankar organising get-togethers quite often and Sudha proving a patient listener, dealing with all problems an employee may have. “She was compassionate and took personal care of her people. During performance appraisals and pay raises, she would personally talk to the concerned employee and explain the rationale behind the raise.” By 1992, Swathi Enterprises was a forty-strong company, with Indira having risen to become Manager, Systems. The Lakshmi Bhawan office was too tiny for this number and the company shifted to Radhakrishnan Salai in Mylapore. A Ramaswamy, now Senior Office Assistant at CAMS, was then Office Assistant, Swathi Enterprises. “My job was to open the premises at 8.30 am, close it at the end of the day and get tea whenever needed. Though Office Assistants worked on a shift system, we would be there at 6.00 am and leave only at 10.00 pm, such being our love for the company,” he says. He remembers how the entire office worked like a family in shifting from Lakshmi Bhawan to Mylapore. Also of the same vintage as Ramaswamy were V Srinivasan and V Satyanarayana, both of whom were into Administration, the former also doubling up as Shankar’s assistant, typing his letters for him. Another person who joined Swathi Enterprises then was Sairam Singh, who was recruited as the Cashier. All four, unlike Indira and Sekar, have continued with the group, making the migration to CAMS Pvt. Limited, which was destined to soon overshadow Swathi Enterprises.

CAMS (Computer Age Management Services) may today be India’s premier Mutual Funds Registrar and Transfer Agency but when it was taken over in 1988 by Shankar, it too was meant to be in the IT space, Software Development and Computer Education being its chief areas of interest. The latter was handled by CAMS Software Education, which as Ramaswamy recalls, had its offices on the front side of the building that Swathi Enterprises occupied on Radhakrishnan Road. Some of Swathi Enterprises' employees were asked to teach at the Software Training Centre, and Indira remembers being called in to impart knowledge on Systems Analysis. Mahesh, who had briefly left Swathi Enterprises to try his hand at business, came back and was hired by CAMS. He was involved in the conceptualisation of the curriculum for CAMS Software Education and remembers extensive brainstorming sessions that resulted in an excellent syllabus. "The training centre did very well while it lasted," says Shankar. For a while it rivalled even NIIT, the acknowledged leader in the field. But there was strong competition, many players and not many takers. In the early 1990s, computer education was still nascent though it would burgeon within a couple of years. It was then that Shankar took the decision to withdraw from it. "Perhaps we were ahead of the times," he says. "There are others who have done very well out of it later, but we opted to move on."

The time had also come to take a closer re-look at the software business. "Selling software in India is still tough," says Shankar. "Today the software industry here may be a success but let us not forget that very few are looking at the local markets, and so the growth is not because of local demand. Almost everyone is oriented to the West. The local market is just not lucrative." In the early 1990s, this was more so. Swathi Enterprises and CAMS were dealing with manufacturing enterprises and selling the concept of software services to them was not simple. "The rates we could command were low. The clients took a long while to make up their minds and that meant we had to keep adding new prospects," says Shankar. "Lastly, there was a mindset. Every proposal was compared against the cost of having a low paid clerk doing the same data entry in a ledger and producing a paper report. Hardly anyone was willing to look at the other benefits – speed of retrieval of data, its security and the possibilities in analysis." All this made for a very frustrating experience and soon it became clear to Shankar that if he was aiming for growth, he needed to look elsewhere. It was then that a friend alerted him to the possibilities in the financial sector.

Chapter 3

The Money Markets in the 1980s

The timing could not have been more appropriate for CAMS to make the shift. The financial sector was undergoing a transformation like never before during the late 1980s and early 1990s. And as always, market conditions brought about several changes at ground level before the Government actually contemplated legislation.

The Indian financial sector displayed its first signs of growth in the 1980s, owing to a concatenation of several events. The first of these was the Government of India's structural reforms, most of which are now forgotten, being overshadowed by the changes that came in, in the 1990s. For the first time, a number of incentives were announced for exports – the interest rate for export credit reduced from 12 to 9 per cent; in 1985 it was announced that 50 per cent of profit from exports was tax deductible and this was in 1988, made 100 per cent. The Export Import Bank of India (Exim Bank) was established as a statutory corporation in 1981. Its objectives were to 'provide financial assistance to importers and exporters, to act as the principal financial institution for coordinating the working of other institutions financing international trade, and to undertake limited development and merchant banking activities'. Restrictions on foreign travel were eased in 1985. Until then, any planned overseas visit by an executive of a company required an individual application to the Reserve Bank of India for the release of necessary foreign exchange. This was modified by the system of Composite Allocation of Foreign Exchange – block allotments were done in favour of individual firms and these were valid for one year. Beginning the same year, it was also announced that the Export Import Policy of the Government, which was till then annually revised, would hold good for three-year periods. This brought about greater continuity in business.

There were also signs that the licence-quota raj was on the wane – the number of items that could be imported under Open General Licence increased from 79 in 1976 to 1,100 in 1988. Twenty-five industries were delicensed from all restrictions of quotas. Price and distribution controls were completely removed on aluminium and cement. Multi-point excise duties were replaced by modified value added tax (MODVAT) and this rationalised the tariff structure to an extent.

The effect was almost instantaneous. Investment grew from 19 to 25 per cent of GDP. The GDP itself grew by 7.6 per cent throughout the 1980s. Between 1985 and 1990, exports, which had, until then been growing at 1.2 per cent shot up by 14.4 per cent. But perhaps the biggest indicator of growth was the sudden spurt in the stock market. Market capitalisation rose from Rs 68 billion in 1980 to Rs 550 billion in 1989.

As in the case of the economy overall, a number of factors contributed to this surge of interest in the world of shares and debentures. The first was of course the rising middle class. This was evident from the increase in the number of scooters/motorcycles and cars – the sales figures rose respectively by 25 and 52 per cent in 1984/1985.

As the historian Ramachandra Guha wrote, "New trades and businesses were opening all the time. There was a boom in the housing and real estate market, and ever more restaurants and shopping complexes. The rising middle class, wrote one observer, had "become the most visible sign of a rapidly progressing economy". Observing this phenomenon, Nitish Sengupta, a senior bureaucrat of the time attributed it to two blocks of people. Firstly, India's Green Revolution of the 1970s had given rise to an entire generation of prosperous farmers who had surplus cash to invest, he said. Secondly, beginning with 1982, another group joined the investor brigade – Non-Resident Indians, whose population was then reaching a critical mass, were allowed to directly invest in Indian equities.

Another reason for this growth was a sudden increase in leasing companies. For years India had only one such entity, aptly named First Leasing Company of India Limited, set up in 1973 in Madras. In 1980 came 20th Century Finance Corporation. Then in 1983, the International Finance Corporation (IFC) of Washington, announced its intention to set up four leasing companies in India, each in collaboration with a bank and an established finance major. In each of these, IFC was prepared to invest between 400,000 to 500,000 dollars towards 15 per cent equity. The bank was to come up with 30 per cent and the finance company was expected to invest the rest. Bureaucratic hurdles were to prevent this plan from coming to fruition in full but it was enough of an incentive.

From 1983, a whole host of opportunistic entrepreneurs joined the leasing bandwagon. Almost all of the new entrants were to use it to launch themselves into the free-for-all new issues market. In Hyderabad city alone, 14 companies were launched in the span of two years. Most of these and their kind in other parts of the country were floated by qualified professionals – chartered accountants, management graduates, and engineers – and chaired by well-known figures in the corporate world. Every one of these companies raised a large portion of the promoters' contribution of 40 per cent of the total subscribed equity capital, from the public. This was done through lists of shareholders of other companies – they were contacted and the promoters' contribution was 'privately' placed with an unsuspecting public. Thus the actual stake of the promoter and therefore his/her exposure in the event of the company going bust was minimal.

And as for the funds necessary for purchasing the assets to be leased, most of these companies gave the impression that they could raise huge amounts by way of public deposits. And this is where they were to fail miserably, despite huge amounts being spent on advertising and attractive incentives offered as brokerage. The Government withholding recognition to leasing as an industry compounded their problem. That meant that these companies were outside the purview of the Industries Development and Regulation Act and hence could not avail of loans from the Industrial Development Bank of India. Leasing entities could at most get funds from nationalised banks but here too, the Government restricted the quantum of loan – the aggregate amount of deposits, together with the amount of debentures and borrowings from banks could not be in excess of ten times the net owned funds of the company. In the long run, most of these entities were fated to fail but they did create a huge buzz in the stock market.

This was also the time when the Mutual Fund industry began to grow. The Unit Trust of India had since 1963 been the sole vehicle for this and sold a range of mutual funds through a network of financial intermediaries. In 1987, the Government permitted public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation, to set up the mutual funds business. The State Bank of India was the first off the mark, launching its SBI Mutual Fund, closely followed by Canara Bank's Canbank Mutual Fund. Others soon followed suit. There were rumours that the Government would soon allow private participation in the industry.

What however caused the greatest excitement in the bourses was a completely different entity and in an entirely new line of business. This was Reliance Industries, whose founder Dhirubhai Ambani, to quote Ramachandra Guha again, "had once been a lowly petrol pump attendant in Aden. Returning to India, he set himself up in the spice trade before branching out into nylon and rayon exports. Then he turned to manufacturing textiles, before adding petrochemical factories, engineering firms and advertising agencies to his ever-growing portfolio of interests. Reliance witnessed growth rates unprecedented in Indian industry and seldom seen elsewhere in the world. Through the 1980s, the company's assets grew at an estimated 60 per cent per year, its sales at more than 30 per cent per year, its profits at almost 50 per cent. Ambani was an innovator, using state-of-the-art technology (usually imported) and raising money from the growing middle class by public issue (something which other Indian family firms were loath to do)."

There were plenty of detractors who had something to say on the methods that Ambani adopted to ensure that his ventures remained on a sharp growth trajectory. But there can be no doubting the fact that he emerged as the darling of the investing masses. Firmly believing in price benefits accruing from economies of scale, he dreamed of large projects, and to fund them, he tapped the common man. His Reliance Textiles Industry went public in 1977 with an offer of 2.8 million equity shares, at Rs 10, the rules then permitting only issues at par value. With that, the company was listed in the Bombay and Ahmedabad Stock Exchanges. Thereafter, the company frequently expanded its equity base through repeated rights and bonus issues to its shareholders. Ambani's biggest splash was however a series of partially convertible debenture issues that he floated to fund his projects. The public loved the idea – the bonds bore interest while the projects were in their gestation period and then a portion was converted to equity, which made them even happier. Dhirubhai firmly believed in keeping shareholders in a state of ecstasy – he was generous with dividends and shareholders received a return of at least 25 per cent of the face value of the shares from the time Reliance first went public.

The prices of the shares too kept pace. What had been issued at Rs 10 in 1977, grew to Rs 50 within a year of listing and by 1982 had reached a high of Rs 186. A whole host of trade journals and financial newspapers had sprung up in India by then and all of them reported the happenings at Reliance and the performance of its scrip in great detail. That ensured that the share kept trading feverishly all the time. In 1982, Dhirubhai and Reliance demonstrated their hold over the Indian stock market. A rights issue of partially convertible debentures was in the offing and a bear cartel, sensing that the prices were unsustainable at their prevailing rates began hammering Reliance shares, taking forward positions on a low price. To counter this, a group of 'West Asian investors' began purchasing shares, thereby raising the prices. The more the bear cartel took forward positions on low prices, the more the unnamed investors kept buying. In all 800,000 shares were traded, all on forward positions!

The prices kept climbing. On settlement day, when the bears had to deliver the shares they had taken positions on, the prices were so high that committed deliveries of shares could not happen. The ensuing confusion caused the Bombay Stock Exchange to shut down for three days. This was the first and probably only time that a single scrip had caused a crisis of such enormous magnitude. The company broke another record in shareholding terms two years later. When the Annual General Meeting for 1984 was held, it was not in any auditorium. The Cooperage Football Grounds in Bombay was hired for the event and 12,000 investors turned up, to watch the proceedings and hear the Directors' speeches over television screens. Dubbed the largest shareholder meet ever in corporate history the world over, it received notice even in *The Times* of London.

By the end of 1986, Reliance had raised an unprecedented Rs 940 crores from the public and they were quite happy to invest more if Dhirubhai demanded it. As his wife Kokilaben was to write in a hagiographical work on him, "between 1981 and 1985 the number of Indians owning shares increased from less than a million to four million and one in four investors was a shareholder of Reliance." Such a large investor base – over 1.2 million by 1986, entailed plenty of paperwork. This necessitated a dedicated registrar and transfer agency. Named Reliance Consultancy Services Limited (RCS), this was soon employing hundreds of people, functioning from a large building in Bombay's industrial suburb of Andheri. The task was still not easy. Given that this was an era when computers were still sometime away, all trading of shares was by means of voice and action – shouting and gesticulating through jobbers who functioned the same way whether it was Dalal Street in Bombay, Lyons Range in Calcutta or Second Line Beach in Madras. The paperwork lagged behind interminably in every stock exchange. All transactions were recorded on the nearest scrap of paper available and shares were hardly ever submitted to registries for transfer. There were occasions when a single share could change hands over fifty times before someone lodged it with the company registrar for transfer of ownership. Signature mismatches were frequent and could hold up registrations for months on end. Forgeries were rampant as well. Settlements and deliveries were supposed to happen every alternate Friday and these caused major hiccups in an already chaotic system. Some operators chose to skip even this deadline, living dangerously by paying up the margins and at times borrowing money at exorbitant rates of interest to fund this.

All this was true of every share being traded and given the volumes, Reliance was more exposed than most to these problems. Thus when in 1987, the company planned a rights issue (G Series) of its shares, there was a rush of buyers. These buyers then sent in their shares for registration before the cut off date of September 29. But with over three million shares to be registered and transferred, RCS could barely cope. Similarly, when a year later, several of the debentures were converted to equity, the new shares took time to be issued and also to get listed in the various stock exchanges. This caused considerable irritation among the investor community.

The time had therefore come for RCS to broad base its operations. It chose to do this by hiring agents in various cities who could handle the local requirements of investors. It was thus that CAMS was contacted, for taking care of the Madras operations.

The company had in the meanwhile moved ahead on tapping the financial services sector for business. "That is an area that is always at the cutting edge of technology," says Shankar. "We had begun to offer secretarial services to local companies to start with – Ashok

Leyland and Sterling Computers. The plan was that we would invest in the computers, and take care of the documentation processes involving shares. These were tasks then being executed by clerks of the respective companies and we were technically offering to take over what I would term the equivalent of clerical services from them."

In order to gain customer confidence, CAMS brought on its Board V Chandramouli, a respected Company Secretary, and he spent time training the team for the new requirements. "While we were thus equipped to an extent, my own educational qualifications and my background with Ponds also helped. In addition, we were evaluated more on our technical than financial skills and in the former, we proved to be very quick learners," says Shankar.

Having cut his teeth on local companies, he was keen that CAMS acquired clientele in Bombay. It was thus a win-win for both organisations, when Reliance considered hiring CAMS as an agent.

Chapter 4

Relying on Reliance

The Reliance account may have been big but CAMS proceeded cautiously. V Srinivasan, referred to earlier as one of the first employees of the company and who was then working as Shankar's secretary, recalls that the initial operations were largely managed through temporary staff. "The Investor Relationship Centre (IRC) as it was called, was housed in a 1,500 square feet office space in the ground floor of Lakshmi Bhawan where Swathi Enterprises also functioned," he says. "Shankar had a brief stint as Executive Director of Srinivasa Computers, a company that made dumb terminals for Sterling Computers and I was asked to take care of vendors there. Imagine my shock one day when Shankar came to me and asked for my resignation. I did not know what to say and I wondered as to what error I had committed. I looked up to see him smiling and realised that something better was in the offing. He laughingly asked me to resign from Srinivasa Computers so that he could issue an appointment letter for me from CAMS. I was designated Investor Relationship Officer."

The designation may have sounded grand but the working conditions were spartan, as befitting a start-up. "There was no air-conditioning," says Srinivasan. "We believed in sweating the infrastructure to the fullest," says Shankar. "The capital was all ours – my wife's and mine. It was all our savings and retained earnings from the business. For several years we never drew any salary from the company. Unlike the present trend we did not believe in investing heavily in swanky offices and hoping that something good would turn up. We lived from contract to contract in those early days. Our offices were plain, the chairs and tables second-hand and if something broke we believed in managing with it. The only aspect on which we did not scrimp was computer hardware and software. We had hard disks replaced every year, and invested our little all in ensuring IT was up to date. In fact we even went a step further and took to using the latest in technology such as dial up Internet connections though they were prohibitively expensive those days."

More importantly, in order to keep costs down, there were hardly any permanent employees. Sairam Singh who as we know was cashier then at Swathi Enterprises remembers that apart from Srinivasan, the only other person on the rolls was Lt Col Balakrishnan, who oversaw the operations. "I believed very strongly in recruiting retired military personnel to take care of operations," says Shankar. "They bring a gravitas to their work environment having handled hundreds of men during active service. They carry forward much of that discipline into other assignments and bring order to administration. In the external world too their respectability is such that they are received well at all places, including banks and stock exchanges with which we had much to do. Balakrishnan was the first of quite a few such people who left their impress on CAMS. At one time we were among the largest recruiters from the ex-servicemen agencies."

The rest as we noted, were temporary staff. "We followed the construction industry model," says Shankar. "We took on people for each project and then when it ended, we disbanded the team. Before letting them go, we took a few good ones from the group on to our permanent rolls. If you survey the CAMS old-timers today, you will find that most served a probation period for a year or more in a temporary capacity with us before becoming permanent staff."

Srinivasan recalls the early days with the evident happiness of a person looking back at a success story. "Reliance advertised in the newspapers informing the public that CAMS was the Chennai IRC. From the next day we began to have a steady stream of people coming into the office. The number of shareholders in Madras was huge. Almost every household had a few shares of Reliance – it was like a family jewel. Many who came were elderly investors. We had to listen to their problems – their transfers, their instructions, etc.

They needed to register the purchase and transfer of share certificates in their names failing which, dividends and issues of bonus and rights shares would keep going to the person in whose name the shares were last registered with the company. Of course, the transfer deeds were valid for six months to a year and so some simply sold the shares if they were looking for short-term gains. The transfer deed would come to us, we would give an acknowledgment to the shareholder, the deeds would be serialised and then put away in a sealed box, which would be taken manually to Bombay every fortnight. Kumar was the man who travelled with the documents. We would book tickets for him months in advance. This helped everyone to plan accordingly. Once there he would travel to Chembur and Andheri where RCS had offices. He would collect the previous fortnight's shares and come back. These in turn would need to be handed back to the investors. In the meanwhile, they would keep coming back in person to ascertain the status. We would have to patiently listen to them and assure them that the matter was well in hand."

While CAMS learnt the procedural aspects very fast, what gave it the cutting edge was the way it handled spikes in transactions, which happened whenever Reliance announced rights or bonus issues or a fresh round of debentures. Any agent of the company had to be prepared for such things. Even before CAMS signed up with Reliance, the investor world had experienced what a typical public offer from the Group could be like. In 1987, Dhirubhai Ambani announced Reliance's foray into petrochemicals. A fully convertible debenture issue of Rs. 593 crores was planned in 1988 to fund the project. Branded the Reliance Khazana (treasure chest), the issue was launched with a mega publicity blitz for those times. Costing Rs 20 crores, it involved advertising in print, radio and television. For the first time in Indian corporate history, a debenture issue was made into a consumer product. There were even classified ads in matrimonial and real estate columns. The results were stupendous – Reliance mopped up Rs 1,300 crores, all on the company's own terms – interest was paid on the money only after the date of acceptance, which meant it enjoyed income on the funds for a good 90 days; secondly, fully confident about the oversubscription, the company pegged broker rates at a low 1.5 per cent, as opposed to the conventional 3 per cent. When all the smoke had cleared, one statistic remained – five lakh first-time investors – men and women who had never ever owned a bond or a scrip previously, had put their money into Reliance.

This then was the kind of event that CAMS had to steel itself for. Srinivasan recalls the drama that would accompany the issue of bonus shares for instance. "The share certificates would arrive in gunny bags at CAMS office. We would arrange the documents in serial order. An intimation postcard would go to the shareholders, which they would need to bring with them when they came to collect the shares. The 'mela' would then begin.

We were six people and we handled over 2 lakh investors. By the time I reached the office at 8.30 am, people would be queuing up. By 10.30 am, the line would extend to Mount Road. Even the films of matinee idol MG Ramachandran would not be in such demand. We had to service the people as fast as we could. This we did by the simple expedient of never closing for lunch, the six of us taking turns to go in and eat. Standing room was limited and so we would need to get the crowd moving as fast as we could. We would collect the acknowledgment from the investor and get him/her to sign on it, all the while asking them for their address so that we could verify it. Then, having handed over the bonus certificates to them we would ask them to move to a set of sofas where they could verify these – errors in names and addresses had to be recorded at once and the documents taken back for sending to Bombay for correction. Some people would bring 25 cards. We used to work till 7.30 or 8.00 pm non-stop and keep the queue moving. It was a fantastic experience."

In 1990, Reliance Petrochemicals ceased to be a subsidiary of the parent and launched an Initial Public Offer (IPO) for Rs 75 crores. That meant a new kind of assignment for CAMS – setting up collection offices for the applications at various locations in the city. N Muruganandam, now Senior Manager, Business Continuity Process Centre, Coimbatore, came to join CAMS that way. He was taken on as a temp to handle the rush of applications. Remembering that he first reported for work on a Sunday, he recalls being part of a team assigned to a wedding hall in Mylapore, hired for the day by CAMS and officiating as its collection centre.

"That morning, an advertisement was placed in the newspapers regarding the launch. I sat with the team in Mylapore and collected applications. My wages were Rs. 10 per day, payable weekly for the days worked, and if I worked in a night shift, Rs. 8 was added." Work after office hours was in small residential premises at Ashok Nagar. This was where the IPO applications received were sorted. A team of around 15 people worked there and Muruganandam was one of them.

He remembers working, sitting on the floor. "Only three chairs – for Col. Balakrishnan who was handling the operations, one each for Parameswaran and Rajan who were supervisors – and a table – this was the furniture in the whole office. The operations resembled a village festival going on non-stop day and night. As the IPO's closing date neared, the team expanded to around 50 to 60 people, all working for more than 20 hours, with a break for around two hours to sleep, bathe and eat. Col. Balakrishnan was a disciplinarian and he would expect the staff to be at the office by 9.00 am, irrespective of whether they stayed up all night. Everyone worked with enthusiasm, egged on by Parameswaran and Rajan who were friendly. Parameswaran was available to solve any problems, and would take the entire team for a party at the close of an IPO. Even Rajan followed this practice. Lt Col Balakrishnan would be on his feet going around the teams continuously. His presence ensured that people focused on the task at hand. Naturally, productivity shot up in his presence."

The 1990 IPO was when CAMS first expanded its presence, in a manner of speaking, to outside Madras. The company had also been given the responsibility of collecting applications in Bangalore. To facilitate this, Shankar contacted Girija Raman, who was then handling the IRC for Reliance in Bangalore. She agreed to collaborate and it was the beginning of a long relationship for her with CAMS. The same IPO also ensured that the CAMS team expanded to around 200 people. The Ashok Nagar premises had to be given up for bigger office space. This was located at Chaitanya Building on Khader Nawaz Khan Road in the Nungambakkam area. “Even though we were by then financially stable, we did not spend our capital on infrastructure, in this new office,” says Shankar. “It was an empty floor in a multi-storied building and we filled it with furniture on hire.” Sairam Singh reminisces that this was a busy time for him and the few other permanent staff, they having to shuttle continuously between Lakshmi Bhawan and Chaitanya Building. He also recalls Shankar’s presence. “He would come there and stay up till midnight overseeing work. He was very particular that all the staff had their food and paid attention to their every need. He would be back early in the morning to check out how the work had progressed in the few hours that he had been away.”

While these may have been exciting times for CAMS, the circumstances were trying for the Indian economy as a whole. The economic growth of the 1980s had been brought about by increased fiscal deficit and this was to show its impact early in the new decade. In January 1991, the country’s Balance of Payment situation came under severe strain. Foreign exchange reserves dropped to an all time low – USD 896 million, down from a relatively comfortable situation six months earlier when they stood at USD 3.1 billion. The Gulf War was then raging and this had caused a sharp increase in oil prices. In order to tide over its immediate crisis, the country borrowed USD 1.025 billion from the International Monetary Fund. Around 600 million had been borrowed just six months earlier; the second round of borrowing was followed by a third within a month.

By May 1991, the situation had deteriorated further and India had to sell some of its gold reserves with a repurchase option, in the international market. This got the country around USD 200 million. A further 50 tonnes of gold were sent to England and against this, the Banks of England and Japan loaned the country USD 400 million. It was however clear to everyone concerned that all these were mere stopgap arrangements and if India had to survive the doldrums, it had to do something drastic with its economy. The country was then in the process of a general election and results in June threw up a hung parliament. A coalition government led by PV Narasimha Rao was sworn in. Dr Manmohan Singh, former Governor of the RBI and later Chairman of the Planning Commission, was appointed the Finance Minister.

The new Government had its task cut out, for the loans from IMF had come with stringent conditions. The rupee was devalued in two stages spanning a period of two days, early in July, bringing it down by 18 per cent against the major currencies of the world. This was chiefly to 'promote competitiveness of exports, reduce inessential imports, minimise incentives for capital flight, stabilise the capital account and generally restore the viability of the country's Balance of Payment position'.

The new Economic Policy came out within a month of the devaluation, and it announced major economic reforms, aiming for globalisation, privatisation and liberalisation. It pledged for the 'abolition of industrial licensing, the liberalisation of industrial location, automatic approval for foreign direct investment up to 50 per cent, liberalisation of import of foreign technology, de-reservation of the public sector and modification of the Monopolies and Restrictive Trade Practices Act'. All this was easier said than done, for a sudden opening up could have led to a wild growth in inflation. This was however curtailed by significant structural reforms and tightening of the monetary policy with increases in bank deposit and lending rates.

The stock markets were jubilant, for this was the new dawn full of promise that everyone had been waiting for. Not many were aware of the problems that the liberalised scenario would bring, but everyone agreed that exciting times were ahead.

Chapter 5

The Registry Service Years

Much of what was to follow in the next two decades, and encourage the growth of companies such as CAMS, was a direct outcome of the first wave of liberalisation. The stock market reacted extremely favourably to the new announcements, continuing with a bull run that had begun a good six months earlier, despite the economic crisis and perhaps in anticipation of the inevitable good times to follow. The Bombay Stock Exchange (BSE), which had by then emerged as the premier bourse in the country accounting for 70 per cent of the traded volumes, had begun the year with its index at 996.45. By the close of 1991, it had touched 1908.8 and was promising to go to greater heights in the succeeding year. The average daily trading volumes had also kept pace – what was Rs 127 crores in 1989 was Rs 240 crores in 1991. This optimism was to result in a round of investigations with sensational results, as we shall see later.

In the meanwhile, the world was taking notice. Several new projects were announced by Indian corporate houses, all of them in collaboration with overseas partners. The new atmosphere also brought in many investment bankers from all the finance capitals of the world – Hong Kong, London, New York and Singapore. They had sold the great Indian growth story to their clients overseas, based on 'India's large middle class and its hidden savings, the basic soundness of its British-style legal and corporate institutions, the skill of its top administrators and managers, and the political safety in its complex but democratic political system'.

All eyes were for the nonce on yet another issue by Reliance. The company had gone to the market a record eleven times since 1979 and each time the response had been overwhelming. The latest in the series was a rights debenture issue, and therefore open only to shareholders, and yet it caused enough excitement. The value was huge by Indian standards – Rs 858 crores and much of the future of Reliance's long awaited gas cracker plant at Hazira depended on its success. At CAMS it was a busy time once again, with subscribers queuing up and the staff working overtime. The effort paid off in the end – the issue was oversubscribed, raking in Rs 987 crores, setting a new record for corporate India.

This was also when the Government finally gave teeth to the Securities and Exchanges Board of India (SEBI), a body that had been set up in 1989 ostensibly to regulate the securities market in the country. For four years it languished, with no real powers but liberalisation suddenly brought it into focus. In 1992, Parliament passed the SEBI Act and that gave the body the statutory powers – quasi-legislative, quasi-judicial and quasi-executive that it needed. The office of the Controller of Capital Issues, which had till then managed such matters, was abolished. SEBI moved quickly thereafter, becoming the coordinating body between the issuers of securities, the investors and the market intermediaries. Life on the bourses was never to be the same thereafter as SEBI began pushing for reforms. The National Stock Exchange (NSE) of India was set up the same year, with a mandate to provide screen-based electronic trading systems to investors across the country. This was the first jolt that the broking system received. Information was no longer confined to just a restricted group of brokers and any investor could take decisions based on stock movement. The NSE would become operational two years later, in debt and securities trading and on the first day would clock a transactional speed of two orders per second.

In the interregnum between SEBI acquiring its statutory powers and its formulating the regulations that would henceforth govern the Indian stock exchanges, a process that took six months or so in 1992, two major events occurred. The first was the unravelling of a two-year stock market scandal of unprecedented magnitude and the second yet another Reliance public issue. The former is merely of passing interest in this documentation and so will be dealt with in brief. Between April 1991 and April 1992, the Standards & Poor Bombay Stock Exchange Sensitivity Index (SENSEX), then an index formed by the stock performance of 30 bellwether entities listed on the BSE, returned 274 per cent, moving from 1,194 to 4,467 points. This had as said earlier, puzzled many. Investigations followed and when the State Bank of India reported that it was missing some Government Securities, the bottom fell out. Enquiries revealed that the broker Harshad Mehta, known till then as the Big Bull and the darling of the stock markets, had manipulated the system to the extent of Rs 3,500 crores, in the process taking illegally Rs 1,000 crores from India's nationalised banks to fund his purchases on the BSE. His arrest and the subsequent plethora of lawsuits, criminal prosecutions, several mysterious deaths and the long-drawn judicial process are the stuff of much melodrama. But suffice it to say that with the scam, the markets entered into a bearish phase that lasted over two years. That depression however did not appear to affect the other market favourite – Dhirubhai Ambani.

In 1992, Reliance came out with two new subsidiaries – Reliance Polypropylene Limited and Reliance Polyethylene Limited, to build new plants to make the eponymous products within its Hazira complex. Dubbed the Reliance Twins, these needed funding and the market was to be tapped. Even prior to the issue, it was announced that the Japanese trading house Itochu would be investing USD 50 million, for a 15 per cent stake in each of the two firms. At that point of time, this was the largest investment by a Japanese company in India. The news was enough to stoke stock market interest. When Reliance announced its combined public issue of equity shares and optionally fully convertible debentures in November 1992, the investing world went wild.

The CAMS office resembled a beehive, with its staff collecting the applications by day and sorting them at night. As in the previous issue of Reliance, the company was mandated to collect applications in Bangalore where it pressed Girija Raman's facilities once again into service. As the last date approached and the forms mounted in volume at CAMS, those involved in the administration realised that they had a problem on hand. It was a Friday evening and the forms had to reach RCS offices in Bombay by the following Monday. Let us hear the rest of the story from Srinivasan.

"We rushed to Parry's Corner and purchased huge steel trunks and managed to stash the applications into five of them. The question next was to how to reach them to Bombay. We initially planned on sending them by train along with an escort but the earliest tickets available were for Sunday night, which meant the applications would reach Bombay only on Tuesday and this was not acceptable to Reliance. The only option was to send this enormous consignment by air.

Indian Airlines was the only carrier in operation those days. Two tickets were booked for Parameswaran and Rajan to fly to Bombay on Sunday. I was told that even if one trunk could be pushed on to the flight it should be ok – the workload involved in processing them would keep RCS busy till we got the rest to Bombay by train. I was entrusted with the task of getting something done at the airport. It was an era when you could enter the terminal without tickets. Luckily for us, it being a Sunday, the place was fairly empty and the staff somewhat relaxed. I spoke to them, convinced and cajoled them into accepting the consignment and we managed to get the carrier to take all five trunks! I don't know how we would have fared in today's scenario. I had asked the office to be kept open in case we needed to come back with the trunks. So I rode my scooter all the way back to Lakshmi Bhawan to instruct the staff to close the place and also cancel the railway tickets. Today, we would do all this over the cell phone perhaps? This is one incident I can never forget. Shankar was delighted and so were the clients."

The results of the public issue were overwhelming. The equity offer was oversubscribed an incredible hundred times and the debentures four times. In all, one crore investors gave Reliance an unbelievable Rs 3,400 crores when the company had asked for Rs 350 crores. As was the practice then, the company was allowed three months to return the surplus, the amount being treated as a loan at 15 per cent interest.

The prevailing bear sentiments notwithstanding, Reliance was to repeatedly go to the market, CAMS handling its issues in the southern region. In November 1993, a triple option partially convertible debenture issue was launched to fund the building of a full-fledged refinery. Oversubscribed three times, it netted the equivalent of USD 1 billion, taking into account investment by financial institutions, the public and Reliance companies themselves. By the end of the year, Dhirubhai's 'investor family' as he referred to it, had 26 lakh members.

By then, CAMS too had moved on, no longer being a company that depended just on Reliance for business. The abolition of the CCI and the setting up of SEBI had greatly facilitated the process of public issues. The latter did not follow the rigid procedures of the former, formulated in 1947, but came up with regulations in keeping with the times. The statutory body vetted prospectuses floated by hopeful companies for veracity of information. It however allowed freedom to the company launching a public issue to come up with its own offer price, decided on the basis of past performance and in consultation with merchant bankers. This new liberalisation was to encourage several hopefuls to seek public funds for making their growth plans become reality. An IPO wave began in 1993 and lasted till 1996. A record 1,597 offers were to approach the market during this period.

The opportunities for CAMS were two-fold in this scenario. The first was the handling of the IPOs itself, which needs a detailed account and is told in the following chapter. The second was registrar and transfer agency facilities for these companies that were going public for the first time. In an era when shares were paper certificates and not dematerialised digital documents as they are today, this was an immense activity. The older and established companies had their own Secretarial Departments that took care of this work. New buyers of shares traded on the stock exchanges had to send in their certificates to the respective companies for the purchase to be registered and the shares transferred in their names. The change of ownership would be recorded in the Company's books and be sent up for the approval of the Board every month when it met. That way, the company's top brass would know of the trading that went on in its shares and also keep track of any move to acquire large percentages of stake by some outsider.

The new companies that came out with IPOs were quite happy to contract out these registry activities. A whole host of specialist companies began to be set up to handle the Registrar and Transfer Agent (RTA) portfolio, some being backed by marquee names such as Citibank and Deutsche Bank. Another competitor was the Karvy Group. Given its track record with Reliance, CAMS too decided to offer such services. "We did not effect the transfer itself," says Srinivasan. "We would get all the transfer applications. We collated and passed them on to the secretarial department of the respective companies. The transfers would then be ratified by the Board of the company and then the certificate would be sent by registered post to the new owner."

Running this facility was a new company – CAMS Share Registry Private Limited. The service was to last till 1999 or so, but even by 1996 it became clear that this business would be short-lived for share transfers relating to paper certificates would soon cease to exist. In 1995, within a year of it's founding, the National Stock Exchange, NSE, overtook the BSE in trading volumes. It also set up its own index, the NIFTY, which was calculated on the basis of the performance of 50 bellwethers, as opposed to the BSE's SENSEX that had 30, spanning 22 sectors of the economy. A year later, the NSE introduced trading in dematerialised (demat) form – the shares no longer had to be on paper. It was also in 1996 that the Indian Parliament passed the Depositories Act that enabled the setting up of central repositories for securities. The National Securities Depository Limited (NSDL) was set up to handle the storage of security instruments in a dematerialised form.

As per the new system, every investor had to have a demat account and all his/her shares were taken care of by a depository service that converted the certificates into electronic format. The demat number had to be quoted each time a transaction was done. The advantages were immense – there was no threat of forged, lost or mutilated certificates. Dividend payment became simplified and rights and bonus share allotments took just a few minutes to be credited to a shareholder's account. The transfer of certificates from seller to buyer was also instantaneous. If the electronic screen based trading was to sound the death knell for the jobbing system on the bourses, the demat was to perforce make the broking firms more efficient. Gone were the days when settlement was done once every fortnight. The new developments ensured that SEBI could pressurise NSE registered brokers to make deliveries within five days after a transaction, a deadline that came to be known in stock market parlance as T+5. The NSE's demat drive soon forced the BSE to follow suit. By 2001, demat had become the universal practice across the country.

Given these modernisation drives and the successive closure of all stock exchanges barring the BSE and NSE, thanks to the revised net worth and trading volume norms stipulated by SEBI, the role of registry services became minimal. At CAMS, it soon became clear to Shankar and his team that the company would need to seek new directions to grow. Fortunately for them, an opportunity was to present itself by way of the mutual fund industry. It would however require the company to reinvent itself considerably in terms of its operations and technology. How it managed that is related in the following chapters. But before that, we need to look at the way CAMS handled the boom in IPOs between 1992 and 1995.

Chapter 6

The IPO Experience

The golden years for Initial Public Offers were between 1993 and 1995, when a whole host of established business houses, earnest entrepreneurs and sadly, some unscrupulous elements, tapped the public for funding their growth plans. This was to result in an IPO wave of sorts, keeping the markets busy at a time when the system had taken a beating following the Harshad Mehta scam.

"S&S Switchgears was our first customer in this area," says Srinivasan. "This was followed by the Ashok Leyland rights issue. In the subsequent years, we handled several medium-sized ones, in the range of seven to eight lakh applications, and some big ones where the numbers went up to 14 lakh applications for a single IPO! Some of the issues that we acted for included Wockhardt, NEPC Agro, NEPC Micon, IPCA Laboratories, IP Rings, Gremach CNC, Industrial Oxygen, S&S Power and Dynavision."

Unlike the handling of Reliance issues where it was confined to looking after Madras and Bangalore, CAMS had to expand its network to cover the entire country for the IPOs. Here too, there was an emphasis on keeping costs low. The company was still an IRC for Reliance and so it tapped the same network, getting regional IRCs in other parts of the country to act as collections agents for the IPOs it handled. “We looked at profitability in each contract,” says Shankar. “We had to, for there was no other way that we could fund the company and its growth.”

Yet another aspect was to convince the merchant bankers of CAMS’ capability in handling the IPOs. At a time when big names such as Citibank and SBI were involved in the handling of IPOs, the company did not have it easy. Moreover, when all the action was taking place in Bombay, being Madras-based did not help. This was when R Vaidyanathan was recruited by CAMS, with the specific mandate of selling the company’s capabilities to merchant bankers and lead managers of IPOs. Strategically, he was stationed in Bombay.

Presently the General Manager, Western Region for CAMS, Vaidyanathan recalls the early days:

“I came from a background in direct selling of office automation equipment. It was a transition for me from product sales to service marketing. It took me some time to change and understand what it was all about. In the RTA industry there were key players who were headquartered in Bombay and had a great track record in processing millions of applications. I had to make my way very carefully. In this I was trained completely by Shankar, Sadanand and B Vishwanath (BV). The three most important things they taught me were - develop excellent relationships with banks, merchant bankers and lead managers as they are the key drivers of this business, their referrals being most important; adopt a never say die attitude, for this was as competitive an industry as most; always speak about our track record, emphasising on our delivery capabilities and our customer service.

BV would come every month to Bombay and routinely visit the merchant bankers and lead managers. I would fix the appointments and do the follow ups. BV was an absolute wizard in the way he handled clients. Soon I managed to learn his techniques. Gradually, we began to be invited to meetings with companies planning IPOs. These would be joint sessions where our competitors – SharePro, MCS and Karvy would all be present; and they were all Bombay-based. We would then have to prepare our quote and send it across. I was given some negotiating margins by Shankar and Viswanath and with this I would handle the subsequent sessions. In the end I don't think we did badly. Our hit rate was fifty percent; very good compared to industry standards."

The first few contracts may have come through contacts but in the long term what really helped was CAMS' high and consistent standard of delivery. That kept the merchant bankers happy and they in turn were generous with their referrals. This meant for much when decisions were being taken on who would handle the IPO. How did CAMS manage that? The answer lay in its technical strength wherein it managed to systematise the entire process of handling the applications. It must be remembered that computers at this time were improved versions but still had a long way to go. Mobile phones had begun coming in but these were not yet smartphones. Internet was still sometime away though the telecom revolution had made landlines ubiquitous and emails could be sent via dial ups. CAMS utilised all available technology to ensure its deliveries.

By then the company had shifted once again, moving from Nungambakkam, to a single floor in an enormous office complex called Rayala Towers on Anna Salai/Mount Road, a short distance away from Lakshmi Bhawan where CAMS still retained its first office. On the rolls by then were 300 people. Not many of the CAMS staffers would have known of it, but this was a historical property. In the 1790s, it, and the neighbouring Addison's showroom were one lot that housed two towers. Named the Eastern and Western Castlets, these were the residences of Major Thomas Fiott de Havilland, a garrison engineer who planned the present day Mount Road and built two landmark churches in the city – St George's Cathedral on its eponymous road and St Andrew's Kirk in Egmore. The properties changed hands over the years. Eastern Castlet was demolished in the 1890s. The western one survived till the 1990s when it made way for Rayala Towers.

The infrastructure, apart from the technical side of CAMS, was simple, almost spartan. The block was still in the process of construction when the company moved in. CAMS was in fact the first tenant. The staircases were dark and the office location being a mezzanine, did not allow for ceiling fans. Toilets were then few. All this changed over time, with CAMS taking more and more space in the same building and making the improvements that it wanted. But in those early years, much depended on motivation to keep the team going.

Muruganandam had by then become a permanent staffer at CAMS, his designation being Assistant Secretarial Officer. He recalls the applications coming in their thousands, for the various IPOs that were going simultaneously. His task, along with others in a team of ten, was to sort the forms by IPO and forward them for processing. Srinivasan had also moved to the IPO section, having been transferred there when Parameswaran left the company. His new designation was Assistant Manager. "I was apprehensive about the magnitude of the operation," he says. "But Shankar assured me that I would learn it all in a month. I began reporting to Col. Balakrishnan."

He also gives us details of how the IPOs were handled. "Each one was identified by a particular colour. This was the first step in segregation. You must recall that the same banks acted as collection agents for various IPO applications and we were the common RTAs for them. So the forms would all arrive in gunny bags, cartons and boxes at our office. Each IPO would have a code A, B or C, etc. Each company appointed a minimum of 15 banks. Each bank had a code given by us. For example 01 was the company, and A to Z would be the banks. Each bank would have branches for which we gave branch codes. It was the branch that interacted with the applicants. Each branch would need to send us the forms and while doing so, we got them to prepare a manifest of all the details of the applications enclosed. Thus, by looking at the summary, we would know where a batch of forms had come from.

Every application would then be entered into our Foxpro system. This had been created in-house and formed the technical backbone of our company. After the form had been entered, it would be sent to join others, where every fifty applications would be bound into a book and kept aside. The entered data would be submitted to quality supervisors who would go through it line by line, matching it against the physical form. All errors would be tagged in the books and sent back to the data entry supervisor who would then need to get them corrected by his team.

This activity took pretty much the whole of the workday, which typically stretched to 12 hours. But this was not all. Throughout the day we would have queries coming in from the company whose

IPO we were handling. All payments were after all in their names and so when the cheques were deposited in their accounts, some would bounce while others would be returned owing to signature mismatches. To top it all, some forms would have incomplete information. In the absence of a system like the one we devised, there would have been no way we could have retrieved the information asked for in each query. But the way we were structured, pulling out say the 37th application in the 85th page of a bound volume of a particular IPO was a matter of a few minutes. However, Col. Balakrishnan was particular that all queries be answered only after office hours. This was so that the data entry was not affected in any way. Thus, after the operators left for the day, those entrusted with queries would take over. We made it clear that any questions regarding a form would need 24 hours for an answer. This was considered superfast for those days.

Looking back, I wonder at how we handled it all – sometimes as many as five IPOs happening simultaneously. We were deterred by nothing. If the power failed or it became too hot, we worked in our vests. And as for the system, it became so robust over time that no ERP of today can even think of matching it."

The volume of work could at times be so much that Shankar would call Vaidyanathan and instruct him to go slow with fresh quotes for IPOs as the staff back in Madras were overworked. "And then a couple of weeks later he would call back wanting to know why no new orders were coming in," laughs Vaidyanathan. But he like Srinivasan reflects and marvels at the way the systems worked. "We had clients from all over. IDBI and SBI Capital were in Bombay. Parenteral Drugs was in Indore. All had IPOs simultaneously. Can you imagine the logistics? We managed. Our sole mode of communication and data transfer was something called SprintMail – a pioneering service that involved dialling up." As for the foolproof methodology of weeding out errors, Muruganandam recalls a day when two lines were left out in data entry. That could have resulted in the payment for one IPO being credited to another on the system causing huge headaches in reconciliation. Fortunately for him, a hawk-eyed supervisor caught the error in time.

All was going well but the IPO market soon tanked. By mid 1996, it was clear that the good times were not going to last. There was a downturn in the economy, with several structural changes needed if it had to grow. Moreover, many companies that had acquired funds through the IPO route had not delivered. In April 1995, a fresh scam came to light concerning MS Shoes, a Delhi-based company that was charged with having manipulated the markets. Around Rs 270 crores was lost and the impact led to the BSE suspending operations for three days.

All this meant that business conditions were tight at CAMS as well. Some of the staffers had to leave and the temps were informed that they would be called in as and when the workload resumed. To keep the company going, some amount of share registry work was solicited but as Vaidyanathan says, these were not departments where companies wanted to make frequent changes and the scope of growth was limited.

A rather unusual opportunity presented itself at this stage – the handling of the applications for the Ford Escort – the first of the cars to be launched by Ford Motor Company, after it set up operations in India in October 1995 in collaboration with the Mahindra Group. The plant was just outside Madras, at Maraimalai Nagar and the company was planning to release its first model a few months into

1996. Unlike the present day when cars in India can be purchased off the showroom, those were times when manufacturers still allocated vehicles against demand. In a way it was like an IPO, with hopefuls filling in applications and making a down payment, depositing these at collection centres that were invariably bank branches. The car manufacturer then intimated the applicants of vehicle allotments and payments had to be made on each call – there being multiple calls at times during the process of manufacture. The final payment was made when the car was delivered. The carmakers thus had their manufacturing funded by the prospective buyers, and also earned interest on the down payment and subsequent instalments! Some vehicles, and the Maruti 800 was perhaps the best example of this, commanded a premium even before delivery and many made a handsome profit by selling their allotments to other aspirants even before the vehicle was ready. It was like taking a forward position on a share. Later, with cars flooding the Indian market, all this would change, but in 1996, this was how the car market functioned.

Vaidyanathan remembers to have done considerable legwork for the Ford account but Srinivasan, by then Deputy Manager, vividly recalls it for another reason – this was the first time he was being sent to Bombay to present the capabilities of CAMS to Ford and its bankers. “I was warned by Shankar that I would be meeting a ‘set of tigers who would rip the stuffing out of me’,” he smiles. “I was very nervous and kept rehearsing what I had to say. But I need not have worried. We were so thoroughly grounded in our systems that nobody asked any questions. There were some suggestions for working around our methods to suit the banks but I held firm. I told them that every branch had to have the discipline of sending in application forms every day even if just one was received that day. They agreed to everything.”

For CAMS it was a new experience, handling applications for cars instead of shares.

In terms of volume, this was a bagatelle for the company – there were just 75,000 applications, each with a down payment of Rs 35,000. It was executed very well and the company earned the appreciation of Neel Sathasivam, Chief Financial Officer of Ford in India. CAMS completed this assignment within a year.

The hunt for other contracts was yielding poor results in a depressed market and it was time for the company to reinvent itself. The new opportunity was to be in mutual funds.

Chapter 7

Making an Entry into Mutual Funds

The first Indian mutual fund was set up in 1963, when the Government formed the Unit Trust of India (UTI). Until 1987, UTI enjoyed a monopoly in the Indian market and sold a range of products through a network of financial intermediaries. That year, the Government permitted public sector banks, the LIC and the GIC to also set up mutual funds. SBI's SBI Mutual Fund was the first to be launched, followed by Canara Bank's Canbank Mutual Fund. Others soon followed suit. In 1993, with the empowering of Securities and Exchanges Board of India (SEBI), better regulation, transparency, and liberalisation of capital markets (which included the creation of the National Stock Exchange and the National Securities Depository Limited), the private sector was allowed to enter the mutual fund industry.

While the mutual fund itself was to be set up as a Trust under the Indian Trusts Act, the management of the fund was to be in the hands of a separate Asset Management Company (AMC) in which the sponsors of the fund were to have a minimum stake of 40 per cent and a capital of Rs 5 crores. All mutual funds had to be registered and governed under the SEBI (Mutual Funds) Regulations of 1993. Kothari Pioneer Mutual Fund (now merged into Franklin Templeton

Investments) was the first private sector mutual fund to be registered in July 1993. In the following years, international giants in the industry, as well as Indian corporates and industrial families began to set up mutual fund companies.

By 1996, when SEBI came up with the guidelines that still govern mutual funds, the industry had grown to over Rs 81,000 crores. UTI still remained the biggest fund but there were other powerful players as well and their numbers kept growing. The general perception was, and is that, professional managers that take informed and responsible decisions regarding investments in the market need to run these funds. Those who invest in them therefore are assured of returns, which though not on the same scale as those of a punter in stocks, also offer a considerable amount of safety. The funds were generally invested across a variety of stocks and securities and therefore mitigated the risk for those who put their money into them. To the Indian investor, the concept of a mutual fund was relatively new, but they did perceive its positive features, especially after personal savings had been lost in several stock market scandals between 1992 and 1996. Mutual funds thus found favour and began to grow.

Back at CAMS, it was decided that this would be the industry of the future. The company was taking a leap of faith and none of those involved in it would know of the rewards that it would bring. Girija Raman, by then an employee of the company recalls the first discussions that happened, at an off-site in Kodaikanal. All the directors and centre heads of CAMS were present. A host of issues including turnaround times and charge rates to customers were debated upon. She remembers that Shankar was adamant that the turnaround time for queries had to be at most 24 hours. At that time this was considered revolutionary but today it pretty much defines industry standard.

“We were in many ways ideally suited for taking on this new industry,” says PM Parameswaran, now Vice-President Operations, a personality we have had references to earlier in this documentation. He too, like Srinivasan, joined CAMS early, in 1988 or so, directly after graduation from Pachaiyappa’s College, and then having left the company, was to return to it. “We were flawless in our execution of the Reliance issues and later IPOs. I can still recall with a sense of achievement the way we as a company and I in particular, were commended for our handling of Reliance offers, by the then Chief Executive of the company. I also had the privilege of meeting Shri Dhirubhai Ambani in person. How was this possible? Only because we handled everything perfectly. A matter of pride was the way we produced reconciliation sheets when an IPO ended. Even banks would falter but we were never found wanting. Another aspect was the way we handled daily collection reports when an IPO was in progress. You see, this was important, for it was based on the first three days’ performance that the closing date for an IPO would be announced. I would be sent to Bombay, then as now the nerve centre for the money markets, to monitor the performance of the IPOs we were handling. Every day between 3 and 5 pm I would do the rounds of the banks, getting their information and then manually writing out a report that would be faxed to Madras. If I had not sent it in by 5.30 pm I was sure of a call from Lt Col Balakrishnan. Similar reports would be sent in from other centres and this would be collated at Madras. The client would get a report by end of day without fail. Such standards would hold us in good stead when we began approaching mutual funds.”

There were of course significant changes that would have to be made and before we get on to that, some information on the role of a Registrar and Transfer Agent (RTA) in the mutual fund industry may be of use. M Venkataraman, till recently Chief Operations Officer and now Chief Strategy Officer of CAMS, gives us a succinct account of this:

“Mutual funds announce new schemes, known to the industry as New Fund Offers or NFOs. These may be open or close ended, the latter being as the name implies, an offer in which the public may invest and not exit for a pre-specified period. All mutual funds operate through a system of agents. The agent collects a signed cheque and form and then has two options – these can be deposited either with the local branch of the fund or with that of the RTA. Agents typically prefer the latter as they represent multiple funds and so would like to go to a place where they can finish all their transactions in one shot. Even if they did deposit the forms with the fund, these would come to the RTA to be processed further, and in this the steps to be followed are largely the same as that of an IPO.

The differences come in, in that the mutual funds are typically liquid by nature and investors can opt to withdraw, subject to terms and conditions, depending on their need for money. For that matter, the same is applicable to anyone wanting to invest in a particular open-ended fund. These transactions and their value, in terms of money redeemed in case of a sale, or units allotted when there is a purchase depend on the net asset value (NAV) of the fund at the end of that particular day. These will be published every night by the respective fund accountants and then the transactions have to be processed by the RTA. The next morning, the investor gets an email/ a communication about the processing of his/her transaction. The fund gets the details of all the transactions for the previous day from the RTA. The forms are then physically transferred from the front to the back office by courier. These are sorted according to individual funds. The papers usually remain at the RTA for a period of six months because we have a system of audit every half-year. They are then transferred to a document management company that is contracted by the fund. Unlike tax documents where papers can be destroyed in seven years, these forms have to be stored in perpetuity.

An added complication with mutual funds is that the RTA also processes cheques on behalf of the fund. If it is a purchase the cheque that is made out by the investor goes directly into the scheme account of the fund in whichever town it is deposited. But the processing of the paperwork, and the intimation of the purchase is given to the fund by the RTA. In the event of a redemption, the instruction to the fund's bank on release of payment to an investor goes from the RTA. Thus in a typical month, several thousand crores are handled by the RTA but all in the name of the respective mutual funds, in the sense that the money never enters or leaves via the RTA's bank accounts. At the end of the month, the RTA raises a consolidated invoice on the funds for services rendered and that is its fee.

There are two or three other ways also through which an RTA comes into the picture. It handles all communications to clients. It also takes care of customer complaints. These may come through the agents or the call centres of a fund if it has such a facility or it may be routed through the RTA's call centre. Typically today, most funds expect the RTA to handle calls on their behalf. An email ID is also provided where complaints can be sent. Resolutions of such complaints within stipulated time limits are very important."

When mutual funds were first launched, such tight turnaround times did not exist. Thirty days was the standard time for complaint resolution, and at the end of this period nothing really happened. The investor would send a letter of complaint and hope for the best. It was in the light of this that CAMS' single day norm appeared revolutionary.

Such then was the nature of services that the company planned to get into. In the initial days however, it was a question of Vishwanath and Vaidyanathan starting off the marketing activities and doing the rounds of the various AMCs. At the same time, the infrastructure within needed strengthening – both in terms of branches at various locations and the systems in-house – hardware, software and manpower. The latter demands a detailed narration and is dealt with later and so let us look at the way CAMS expanded across the country.

The first locations were based on the old Reliance IRC model and by then, having had to handle several IPOs, CAMS had a presence in at least the principal business centres- the four metros, Bangalore, Ahmedabad and Lucknow. In Bangalore, Girija Raman had opted to shut her share registry operations and join CAMS as a full-time employee. Her office on Kempe Gowda Road became the CAMS office. A data entry operator was hired for taking care of the applications that would come in. Shaji Varghese, currently Manager of the Bangalore operations recalls his being recruited by Ramsey Mery, the CAMS representative for Delhi. The office was a simple one, at Sant Nagar a fairly middling suburb of the capital. Later these would all expand and move to very central locations in their respective cities.

"The branches were not the only strengths that we brought to the table," says Shankar. "We were perceived as people who knew the industry. Our execution skills were yet to be established but nobody doubted our knowledge of financial services."

It was in these circumstances that CAMS landed its first customer in the mutual fund industry. This was Alliance Capital, a fund sponsored by Alliance Capital Management of Delaware, USA, whose Indian JV was registered with SEBI in 1994. The first offering from this company was Alliance Capital '95, which was launched in January 1995. The company was new to India and was glad to work closely with CAMS. "It was almost certain after the first two meetings that we would be the RTA for the fund," says Shankar. "The company was keen to get into India and offer its best American practices. At the same time, it was unaware of what was acceptable here. This was where we came in. Our relationships with merchant bankers and lead managers helped. We advised them on banks they could work with and also taught them some cost-saving techniques. We clearly demonstrated our thinking leadership. They were delighted and we had our first customer. It was also our first big break."

The fund, an open-ended one, when launched led to some quixotic situations. "It was only then we realised that the public had very little idea as to what a mutual fund was all about," says Srinivasan. "I saw queues of the same lengths as we had for IPOs. Very few people had read the prospectus with any attention. They had all assumed that the mutual funds would soon report high NAVs and they could liquidate their holdings for a profit. It was a shock for them to know about lock-in periods. More disappointment was to follow – some of the funds opened at NAVs that were below par! Some people actually came to CAMS to complain about this and we had to explain to them that we were just the RTA."

This sudden awareness was to depress sentiments for a while and Girija Raman recalls that in Bangalore, daily applications dwindled to 15 or 20 before rising once more. "During the lax periods we made trips to Chennai for training and people from the headquarters came to us for quality checks. Challenges were aplenty as well as the learning that happened every day. The data entry operators would suddenly bunk work for some reason without intimation. Getting them to work faster was a challenge as well," she says.

Notwithstanding all this, CAMS diligently handled the mutual fund offer. One of the key people involved in ensuring smooth execution was V Krishnamoorthy, whom Srinivasan says was well aware of mutual funds and the procedures. Alliance Capital was delighted and this happiness was to manifest itself in several ways, including the setting up of a joint venture that would develop software for the industry. But in the aftermath of the first fund offer, it was Alliance Capital's words of recommendation about CAMS that were to be more beneficial. For all mutual funds coming in from abroad, and at that point of time there were several, CAMS became the first port of call.

It was not as though competition was idle. Karvy ComputerShare was a close second, and soon the other RTAs were beginning to see opportunities in mutual funds. But CAMS built on its strengths and was soon perceived the leader. Srinivasan, who till 1997 was with the share registry and IPO sections of the company was that year moved to mutual funds. "As with all my career shifts I was apprehensive and again Shankar said I could learn in a day. Krishnamoorthy took classes for me. I was appointed Manager. It was in February 1997 that JM Mutual Fund migrated to us from Karvy. In April, DSP Merrill Lynch, now DSP BlackRock, became our client. I was appointed Relationship Manager for both. By end 1998 we had bagged Kotak Mahindra as well. I handled all three."

Clearly, what had begun as a trickle with Alliance Capital, had in due course, become a torrent.

Shankar and Sudha

B Viswanath with colleagues on a trip to Mysore

CAMS Family Day, 2006

Children's Day, 2006

N K Prasad

At a CAMS offsite in Singapore, 2008

M Venkataraman

The Advisory Board: K R Ramamurthy, N Rangachary and V Narayanan

V Shankar and V Balaraman meeting with HE SS Barnala, Governor of Tamil Nadu

The CAMS Board members, l to r: Padma Chandrasekaran, G Subramaniam, V Balaraman (Chairman), D K Mehrotra, V S Rangan, Tarun Aiyar and (inset) Bindu Ananth

The CAMS team at Rayala Towers

WWW.CAMSONLINE.COM

Cams

TRANSFER AGENCY
CUSTOMER CARE
DISTRIBUTOR
FUND ACCOUNTING
SOFTWARE

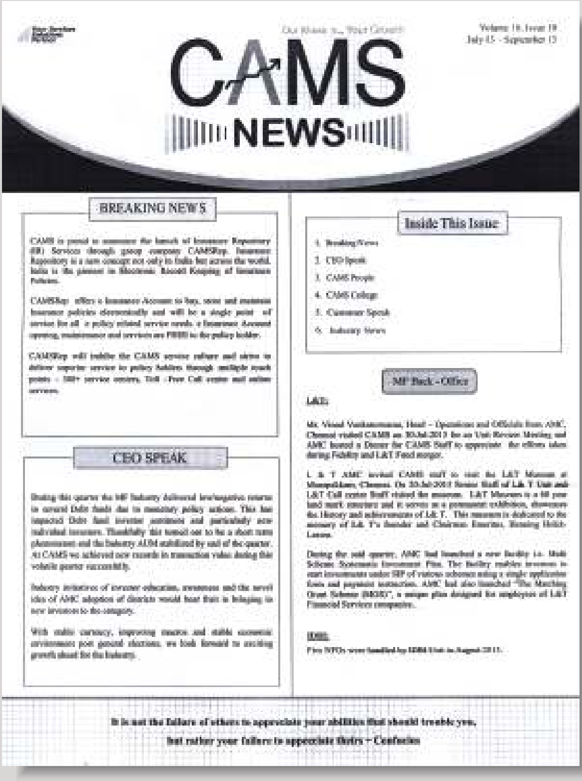
The first logo of CAMS

Our Mission... Your Growth

CAMS

... and the present logo

A view of the CAMS' workplace in Chennai



Our World is... Your Growth

CAMS NEWS

Volume 18, Issue 18
July 13 - September 13

BREAKING NEWS

CEO SPEAK

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MF Back - Office

L&T:

IDBI:

It is not the failure of others to appreciate your abilities that should trouble you, but rather your failure to appreciate theirs – Confucius

The CAMS Newsletter

Your Services Solutions Partner

CAMS

CAMS FUNCTIONAL CERTIFICATION PROGRAMME

This is to certify that

Mr._____________

is an **Expert / Specialist** in the following discipline

Brokerage Process

with effect from January 2013

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Chief Operating Officer

N.K.Prasad
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Computer Age Management Services Pvt Ltd
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The CFCP certificate issued to skilled employees

Chapter 8

Building the IT Backbone

"Our entire company – CAMS – is an accident of successful timing." This was mentioned by Shankar in a recent interview. There can be no doubt that the timing had been bang on – once may have been considered a fluke but when a success was to repeat itself three times over – in investor services, in handling IPOs and finally in mutual funds, we need to look deeper and see what were the key factors that contributed to the company's phenomenal growth.

Shankar today gives full credit to his team, claiming that he followed an early mentor's advice – take care of the people and they will take care of your business. There is no doubt that several individuals have contributed significantly to CAMS and its meteoric rise. We have seen the names of some of these in the earlier pages and now we come to a group that may not have had the public interactions that those in the front desks had, but who provided a great amount of backend support – these were the software developers who worked on creating the system that would become the bedrock for handling mutual funds. It also transformed CAMS from being a mere service provider to an IT enabled services company. That differential was to ensure that it had an edge over competition right through.

"If you do a survey of the senior people in CAMS, you will notice that their knowledge of systems far exceeds that of a conventional user," says Shankar, with visible pride. This is no exaggeration. All of the senior management have the ability to go behind the computer screen so to speak, being fully aware of what their software can do, and how it relates to customer requirements. "They can contemplate at once what impact a change request from a client will have on our systems. There is no question of backing away in a meeting by stating that a consultation with the back office boys was necessary," says Shankar. These were of course not people who could necessarily do coding but they did understand the broad outlines of how software was written.

"Today it may be easy to state this," continues Shankar. "But in those days, this comfort with technology was won by hard work, several real life crisis situations, when with our hearts in our mouths, we set right some disaster that someone had created in-house in their efforts to understand our system. But real learning comes only from such situations." These nerve-wracking moments paid off and soon technology was considered by the world to be as much a CAMS brand attribute as was the company's service record. Indeed, the two were completely related.

Shankar is of the view that the company had no choice in the matter, for the financial markets were moving in the same direction. A realisation had set in that if scams were to be avoided, or at least contained in the damage they could create, greater transparency was needed, and this could only be brought in through technology. The National Stock Exchange as we noted earlier, had led the drive for online trading and dematerialised stock holdings. This was followed by the Bombay Stock Exchange in 1995 and thereafter, with most other bourses in India fading away, screen based transactions became the norm. With the arrival of mutual funds, most of them being set up in partnership with overseas companies that were already familiar with such systems, the financial markets witnessed a surge in technological advancements.

CAMS was in many ways the leader of the pack. The company had already networked its branches. “I can still recall going with a drawing to BSNL, then the nationalised company that allotted telephone and data lines and explaining our set up to them,” says Shankar. “I also gave an undertaking that we would not use data lines for making voice calls. Today all this seems laughable.”

But it was in its software itself that CAMS made all the difference, for the company in many ways rewrote how records were stored and retrieved in the financial markets. “Before we came in with our new thinking, these were stored in physical form, in huge library-like structures,” recalls Shankar. “People would go about with ladders and access documents based on requirements. There was always the danger of a fire or some other act of God destroying everything in a matter of minutes. Yes, IT had come into the backroom already and data was being entered into systems. A couple of years later you had the comfort of storing this data on tape and taking that away to a second and safe location so that in the event of a disaster, there was a backup. But there was no way that those in the front offices could seamlessly access this information being stored.” This is what CAMS changed.

The software was not new. It had as Shankar puts it, “begun even before Windows became a familiar name in India,” for its origins were in DOS, the operating systems in the first desktop computers that the country saw. As noted earlier, CAMS had a software focus, and indeed projected it as an integral part of its value proposition even in the late 1980s, when it handled the Reliance issues and then in the early 1990s, the IPOs. By 1993, Windows-based systems slowly made their appearance, and phrases such as plug and play (and at times plug and pray!) were becoming household terms. A mouse was no longer just a rodent! The company began to change in keeping with the latest in technology. And this was a combination of hardware and software.

By the early 1990s, CAMS had moved from DOS to Windows and those who came to its office marvelled at how operators clicked on a print button and presto, a printer somewhere in the corner came to life and produced a document. By the mid 1990s, the company had “invested a bomb” to quote Shankar, in laser printers. These were made available in a phased manner. The first lot was used for investor reports. A little while later, a second set was purchased and used for distributor reports, and finally, laser printers were made available to internal customers as well. Those were days when a single sheet printed by laser cost eight rupees and so this was no mean investment.

These development initiatives were to receive an enormous boost when Alliance Capital signed up CAMS as its RTA. The client saw what the company had put together by way of software and was most impressed. It was in many ways far ahead of its times and was superior to any product of a similar nature in other parts of the world. This led to talks between the two companies and soon it was decided that a joint venture be created that would seriously work on enhancing what CAMS had already done and take it across the world. Acsys (later renamed Sterling) was the new company that came into existence for this purpose. Mahesh Badri was by then back in CAMS, for his third tenure with the company. This time, he was assigned to Acsys and he recalls the key features of the product.

"It was called Investrak. The software accomplished three tasks – tracking brokerage (distributor) commissions, a single folio account for various investments for the investor and helped recordkeeping for asset management companies. Till then, the brokerage details were always manually computed. No one ever thought software could be used for it. Can you imagine the hours that were spent in claims and counter claims? Investrak was therefore a game changer for asset management companies, who through it knew how much they owed a distributor across multiple accounts at a single stroke rather than the tedious process of manual calculation and reconciliation. Secondly, long before Know Your Customer (KYC) details were thought of, our product could give details of how much each investor had put in, across various schemes launched by a particular fund. This again was highly innovative. So just as the mutual fund industry began growing in India, we had software for it."

Mutual funds as a concept were however yet to mature in the country, and several systems were still falling into place, with the individual AMCs following different methods. It was therefore decided that Acsys would try to offer Investrak to more established and standardised markets worldwide. In this, the international contacts of Alliance Capital were to prove invaluable. Mahesh Badri was sent to the US to see if some business could result. Shankar too accompanied him on some of these pitches.

"Our proposition was always based around the key pain points of the mutual fund industry. In this, given Shankar's knowledge, we were thorough. The software was kept sufficiently masked so that it would not look like a "you must buy my product" pitch. Shankar was capable of assessing what they needed and what problems they would face as the industry grew. Technology was therefore a layer on top of which business problems were solved. The customers usually were amazed." And yet, not much business was to result globally, chiefly because the world had then not yet been shrunk by technology. The deals usually fell through chiefly on worries that in the event of a bug being detected in America, it would take days before a supplier from India would solve it. But all agreed that Investrak was remarkable.

To CAMS the chief advantage in making these pitches was that it was exposed to the different varieties in business practices across the mutual fund industry. Each time the software was tweaked to adapt itself to a new customer's requirement, the more features it kept adding to itself. It also became an increasingly robust solution. By 1998 or so, it was streets ahead of what any kind of competition had to offer.

"The product was thus eternally in a state of evolution, and continues to be that way," says Shankar. "During this time, we were lucky in that we had some wonderful architects who worked with us and ensured that changes were made after very careful impact analysis. There were no severe or adverse effects in making the changes. The work culture was always one of facing challenges, even as the database began to grow six or seven times. The transactions became increasingly complicated and plenty of child databases began to be spawned. And yet month end processes for instance had to be delivered at the same speed despite the intricacies involved. Just because the scaling had gone up a 100,000 times, we could not go back and say a transaction would now take days on end. We thus kept moving and changing with the times. Our product started off as a FoxPro database solution and then migrated to a Windows front end, still retaining FoxPro as the back end. Then we moved to Oracle as the database in 1998 with PowerBuilder as the front end. It remained that way for quite some time." This was when the software found its first Indian client – DSP Merrill Lynch (now DSP BlackRock).

"Working on these changes was an experience by itself," says D Selena, CTO, who had been with the team for long. "It was such a thrill to be able to work on live databases while this also meant we had to be doubly careful. It is not as though we did not make mistakes. Over a period we formed what we termed Master Craftsmen Guilds (MCG) which were entrusted with the responsibility of ensuring error free transitions and migrations."

The software had to be installed in various CAMS branches and also at the offices of associates. Vaidyanathan recalls the time when it had to be done in Mumbai (the city having changed its name from Bombay in 1996, even as Madras became Chennai the same year). "It was a raw system with lots of problems initially. The front end was PowerBuilder. A team from Acsys came over to do it. I studied the installation and became familiar with it. I was then sent to Ahmedabad to do the same installations there. I began my work at 10.30 am on a certain day and it concluded satisfactorily the next day at 5.00 am. Shankar was in touch with me right through. After that I went to Pune to do the same. There I was successful with minimum assistance.

We then moved to Oracle with a Windows front end. I was told to test it by doing a minimum of fifty transactions a day. I had to report on the bugs on a daily basis, which I did. Post this, I travelled all over

India, training people on the new software versions. In 2000, we had a branch meet in Chennai at Chola Sheraton Hotel. I was introduced as a person who was small in physical stature but whose deeds were phenomenal – Shankar said that I would do anything. I cherish that moment."

What did the clients think of the way CAMS and its software performed? Ashok Suvarna, COO of Birla Sun Life Asset Management Company remembers his first interactions with CAMS in 1997 when he was with ICICI. His organisation had just then launched a joint venture with Prudential Mutual Fund of the US and the new entity ICICI Prudential signed up with CAMS.

"The initial reaction was turbulent. RTA relationship is like a marriage – lots of expectations on both sides and a breakup can be messy. The team was young and I was leading it. The initial challenge was CAMS trying to keep pace with the changes that were frequent. We were one of the earliest users. We opted not to avail of the services of CAMS offices but made our branches extensions of CAMS. They responded positively and provided the technology to our offices. This was very tough in the implementation stages. It was also a learning experience for CAMS. A level of adaptability had to be there and we as customers kept asking for more. I would have expected a service provider to be more flexible but they would not change and later I found that they brooked no short cuts. But the team was very committed and they were fairly process oriented. They were ahead of their times in terms of influencing the service standards that the industry could offer, in terms of service features – at a time when a request would be honoured ten days later and that was the norm, here was CAMS facilitating a process where a Prudential cheque could be collected within four days across the counter. The customer was not expecting this but it set the bar that much higher. This was a wow experience for everyone concerned and this was possible only because of the technology platform that CAMS offered. Ultimately, I can say we ended up partnering each other."

Chapter 9

Growing with Mutual Funds

The second half of the 1990s was a kind of roller coaster ride for the Indian financial sector. The euphoria of the first half had given rise to a deep-rooted pessimism by 1995 or so and this was to persist till 1997. And yet, these were the three years that presented great opportunities for the patient investor. The prevailing depressed sentiment resulted in bargain purchases. Thus even as the Sensex dropped from 3,927 at the end of 1994 to 3,659 by end 1997, the cumulative aggregate growth for corporate earnings rose sharply, by 33.6 per cent. The learning from this period was to result in a tempered atmosphere in the bourses. But as invariably happens during such phases, a boom was just around the corner.

The information technology (IT) sector was to chiefly contribute to this. The reasons were many. The first of these was the Y2K crisis. Also known as the Year 2000 problem or the Millennium Bug, it was a direct outcome of increased dependence on software, much of it running on legacy systems that stored years in two digits. Thus when the new millennium came about, it was feared that data of 1900 would be indistinguishable from that of 2000. Utilities and crucial infrastructure were expected to fail. The world over, Governments set up committees to monitor remedial work and contingency planning, even as thousands of software companies all over the globe were pressed into service to get systems to be able to handle the change when it happened.

The second factor was the dot-com bubble. The growth of the Internet and the realisation that it could disseminate information worldwide was the first wave of awareness of the new medium's commercial potential. The period 1997 to 2000 saw the setting up of several Internet-based companies, commonly known as dot-coms. A widely held belief that such companies would turn in huge profits in the future and all that mattered just then was their collection of eyeballs (the number of visitors who made it to the website each day) created an environment in which investors were willing to overlook traditional metrics such as P/E ratios in favour of page hits. This was when venture capitalists began making their appearance to fund such dot-coms and hitherto unheard of investment figures began to be talked about. It was said that just adding an "e" before a company name or a dot-com after it, was enough to push up its stock prices. Such dot-coms, like Y2K clients, needed programmers.

These two factors were to cause a sudden surge in demand for Indian tech companies. The IT sector, whose revenue in India had been USD 197 million in 1990, burgeoned to USD 8,000 million by 2000. In 1990, Indian software export had been valued at USD 100 million, by 2000 it was USD 6,300 million. By the end of the decade, a total of 340,000 software professionals were employed across the country. In the early years, most IT companies sent their employees abroad to work at customer sites, a process known as body-shopping, but with improved communication systems, most preferred to work within India, for clients abroad – chiefly the US and European markets. A whole host of greatly respected Indian IT companies, all of them familiar names, Infosys, Wipro, TCS and Cognizant among them, began to be listed in the New York Stock Exchange.

Within the country too this boom was to cause many changes. If Y2K created increased interest in IT, the dot-com was to make it a sensation. In December 1999, Internet service provider Satyam Infoway purchased indiaworld.com, a company that had a turnover of Rs 1.3 crores and a profit of Rs 25 lakhs, for Rs 499 crores. The deal put through by DSP Merill Lynch was hailed as Satyam's way of 'buying into the future'. The valuation of the portal that aggregated 13 web sites was based on its 1.3 crore page views a month.

Suddenly software programmers were in demand and salaries began to skyrocket, as everyone rushed to set up a dot-com. Attrition in the job market was to become a common feature as programmers switched from company to company, in search of more remuneration and in some cases, greater challenges. The IT industry existed in certain clusters – around Bangalore, Hyderabad, Chennai and Pune, and some of these cities, Bangalore in particular, were to transform beyond recognition. There was talk everywhere of 'technology parks,' exclusive enclaves were IT companies could work, their environments often replicas of their counterparts in the US. Gated residential communities began coming up to cater to the new professionals' upmarket demands on housing. Consumer durable sales boomed, as did foreign travel. There were negatives too – lifestyle diseases and collapse of civic infrastructure as the cities failed to cope with the sudden surge in demand for services.

This tech boom would eventually implode in 2001, when the Y2K problem fizzled out and the dot-com boom turned into a colossal bust. But during the years that it existed, it could not be ignored. The BSE in 1999 launched an IT index with a value of 1,000. This was to consistently tower over the indices of other sectors till 2001.

The mutual fund industry was to be led by this boom. Though there were other sectors such as pharmaceuticals and fast moving consumer goods (FMCG) that also did well, these years clearly belonged to IT. The industry also achieved several important milestones during the same period. The initial focus had been on close-ended funds that were open for a limited period and had a lock-in tenure, usually of seven years. The rising number of private players saw a number of open-ended funds coming up. The list of products began to increase. What had begun as simple equity schemes such as large, mid-cap and tax-saving plans soon saw the funds diversifying into fixed-income schemes. Birla Sun Life launched the first liquid fund in 1997, while Kotak Mutual Fund became the first to set up a gilt scheme that invested only in government bonds. Soon other innovations such as monthly income plans, fixed maturity plans and capital protection-oriented funds came up in the fixed income category. In 2001, Benchmark Mutual set up the first equity exchange traded fund.

All this meant that the RTA had to continuously be on its toes, for its compliance with regulations was vital. KS Narayanan, now Assistant General Manager at CAMS and responsible for Birla Mutual Fund, recalls the way the company grew in those years:

"In the early stage, our structure was simple. V Krishnamoorthy was in charge. One more Deputy Manager, Ganesh, was responsible for technology. They both reported to Shankar. In addition, the two directors, Col. Balakrishnan and B. Viswanath, handled operations in strict control and military-style discipline. But this was all to change." Narayanan, who was a Senior Officer in 1997, became Assistant Manager a year later, with responsibility for Alliance Capital, leading a team of ten people. "We printed and despatched allotment certificates. Other processes like redemption, further investment, etc., were also handled by us.” Faced with a plethora of mutual funds demanding service, CAMS had to change from this simplistic structure. The AMCs started guiding the CAMS teams, which were split thereafter by responsibility - processing, despatch, documents inward, dividend payouts, and customer solutions.

Just as in the case of the Reliance issues, and in certain IPOs, CAMS was to have its first major mutual fund challenge in 2000, the year the IT sector peaked. That was when Alliance Capital, CAMS’ first mutual fund client, launched three broadly defined sector funds – Alliance Basic Industries, Alliance Buy India and Alliance New Millennium. By then, the AMC had established an outstanding track record and the three new schemes, to quote from a contemporary news report, began to receive a “disproportionate amount of investor attention”. When launched, the response was overwhelming and the company raised the equivalent of USD 226 million through the three schemes.

Back at CAMS it presented challenges at every level. Narayanan recalls some of these. “The highest number of applications—1,50,000 forms—were received for those schemes. This and the fund size were new highs for us. We were not alone in this. The volumes had banks struggling to reconcile the applications. Banks receive cheques and forms from the investors. Then they give an acknowledgement to the investor. They deposit the cheques into the AMC’s account and give a certificate to the AMC stating the number of investors, the amount received from each investor, and the final amount deposited into the AMC’s account. They were unable to do this for Alliance Sector Series due the sheer volume of the applications.

After the NFO is closed, the banks send the application forms along with the investor and amount details to CAMS. And CAMS has to process the applications and send allotment certificates to investors in 30 days. The banks sent the applications, typically in gunny bags, for data processing. Sometimes the applications did not match with the data provided by the banks for the Alliance Series NFO. There was money deposited but no application corresponding to that. We had a tough time reconciling them. All the while, the allotment date was nearing. We worked day and night. Unidentified customers were located sometimes by all kinds of processes that we evolved, our creativity being sharpened by the urgency.

We had to then issue Account Statements (allotment details to customers), as they were called. We had no facility for printing so many here. We identified a source in Vijayawada, went there, got the printing done and then prepared the documents for despatch.

Then the search began for post offices that could handle such large volumes of despatches. We finally decided that no single facility could be entrusted with such large volumes and divided them across multiple centres and had them despatched."

Shaji Varghese also remembers the Alliance Capital experience very well. He was still in Delhi but the office had moved to upmarket Nehru Place by then. Due to some connectivity problems, the operations had to be run from the Sant Nagar office, which was still retained by the company. The latter was a small place and had only five systems for people to work on, but the staff had to make do. When they reached Sant Nagar, it was already 7.30 in the evening. To make matters worse the power went off. The staff remained idle till electricity was restored at 10.30 pm. They stayed up all night to complete the 850 applications for the day. Shaji remembers another day when applications shot up from the usual 200 to 2,000. "Technology stocks were selling like hot cakes, giving investors up to 80 per cent returns on investment. So every investor was looking to technology funds. The office was open day and night, as the staff scurried to finish all the applications."

Interestingly, even as CAMS contributed by its handling of NFOs and other elements of the mutual funds industry then riding high on the technology wave, its own life was to change because of it. Early in 1999, HDFC Bank, which had within five years of its founding become a major player in the industry, identified its engagement in the technology and Internet revolution as a key goal. Towards this, its first step was a proposal to acquire stake in CAMS. It was a period when several banks felt that RTA activities were an integral part of their functioning and decided to enter the field. Deutsche Bank, Citibank and several others set up RTA divisions while some others evaluated the field and then decided not to go with it. At HDFC the thought process was that with CAMS already in existence it may be best to invest in it.

The two organisations had begun to work together since earlier in the year when HDFC launched its mutual fund. A team came over to CAMS to inspect the facilities and its first sight was that of Shankar fiddling with the controls of a server. "It impressed us tremendously, for it showed the commitment the CEO had," says a senior executive of HDFC Mutual Fund. "CAMS was mission critical. We had three basic products – Equity, Balanced, Income funds. We went in for an IPO and did fairly well. Our products began getting more and more complex till we offered a complete suite. In all this, CAMS supported us so well. It was not just transactions but a lot of nuances. CAMS stood out beautifully – software, products and services. The most important thing was the people. The initial team at CAMS that supported us was around 40 strong and its leadership was outstanding. This was echoed by all clients with whom we networked closely. It is not as though there were no problems. But when there was a 90 per cent throughput we were delighted.

It was a strategic decision taken by HDFC to invest in CAMS. Our relationship grew because our brand was solid. Secondly, the volumes we gave were huge. Thirdly, we had been a part of their process discussions and systems. So we too brought enormous value adds to the table. When an RTA has to handle change, they tend to take decisions, which they feel are right. We have tended to make them see what is right from the customer point of view. CAMS has benefited as much as we have."

Looking back, Shankar recalls that there was no process of valuation in the sense we understand it today, when this purchase happened. "There was an increasing sense of concern within the mutual fund industry that they were overly dependent on us. This in turn led to a sentiment that in case something happened to us as a firm, many AMCs would be affected. At around this time, HDFC Bank, who was already availing of our services, approached us. It was clear to us that they were mulling over the idea of setting up an RTA for themselves and they would go ahead with it in case we spurned their offer. For us, it made a lot of sense – getting a giant such as HDFC as a strategic investor would make a huge change in our credentials, at least in the eyes of the larger world that was not yet aware of our systems and our emphasis on perfection. So we went ahead. The investor did not in the least interfere in our functioning. It was a win-win – HDFC made a good investment and with this association we could bag several clients."

Chapter 10

Expanding the Footprint

The boom years meant that the teams at CAMS handling the respective accounts had to perpetually be on their toes. The company had by then completely exited the equity space, giving up all the clients for whom it was doing share registry services. The mutual fund business however kept everyone busy. The numbers had also grown, the company employing by 2001 around 700 full-time staff. The office space had also increased, for CAMS was occupying more and more floors at Rayala Towers. The airless mezzanine was a mere memory, air-conditioning having been installed at all places and the frequent arrivals of clients for meetings necessitating the modernising of the office space in terms of furniture and other trappings as well. This was the time two key personnel joined the company at senior levels – M Venkataraman, whom we have met before and NK Prasad, the present President and CEO. Shankar refers to them as the two pillars of the company and says that since their joining, he and they formed a triumvirate that ran the business. They would in 2003 step into the shoes of Lt Col Balakrishnan and B Vishwanath who would both take their bows from the company that year.

The good times saw the number of CAMS branches grow from 36 to over a hundred, it becoming imperative that the company have an all-India presence. The way the towns were selected is an interesting story. Venkataraman explains the process:

"The census was a good basis. It would give statistics of the number of bank branches in various towns of India. This gave us a start. We tied up with HDFC Bank as our main collection agent. And so we also based our choice on where they had their branches. After all, if HDFC had a branch somewhere, that is an indication of a town of sizeable potential. Sometimes we would get requests from our mutual fund clients to open a branch in a particular location. We would then do an evaluation. These requests however formed only 10 per cent of our branch opening decisions.

We have a hybrid model for staffing our branches. In small towns we identify a chartered accountant (CA) of local repute based on a shortlisting of some candidates. This is done using the list of CAs furnished by the Institute of Chartered Accountants. Sometimes we get the regional manager to walk down the bazaar of the small towns to identify some local person of prominence. One condition is that he/she should not be involved in any business that can pose a conflict of interest. We pay him/her a retainer for managing/supervising our operations in that town. He/she can carry on with their regular business in parallel. The employees are selected by us and salaries are paid by us. In some towns with potential, we even rent the office at our cost. In smaller towns, a part of the manager's existing office may become an office for CAMS.

We have had some interesting experiences in tier II towns. In one, we appointed a local man and then the client came for inspection. They objected to his having a bed and a motorcycle present within the office room. They took a photo of this and wanted to know the reason for their presence. The man explained the motorcycle saying that in his town it was not safe to leave it outside. But the bed? At times when an employee stayed back late, he was asked to sleep in the office and the bed was provided for his comfort. Small town culture sometimes conflicts with our ideas of management. But we have had issues in large cities also. While on a visit to Kolkata, one of the overseas partners in a mutual fund recoiled with horror at a dead dog on the street. What could we do about that?"

Suresh Kalra who heads North Zone operations now, remembers the speed with which branches were opened. He joined in 2000 and the first branch he helped set up was in Lucknow. Lt Col Balakrishnan had already identified a place in Chandigarh and this too was begun thereafter. Then came Jaipur and Kanpur, all within the same year. "I began the trend of getting local CAs to become CAMS associates. I knew several of them owing to my earlier job, which was with Escorts Finance and so I brought that domain expertise over. I am proud to state that thanks to that initiative, over 90 per cent of the CAMS associates today are CAs."

Almost every branch has a story to tell, many of their experiences shaped as much by working with CAMS as they were by the city in which they worked. Thus Bangalore's legendary traffic congestions meant that the branch there had to soon move from Girija Raman's old office on Kempe Gowda Road. "AMCs wanted CAMS to be near their offices," says Girija. "Most of these were in and around Mahatma Gandhi (MG) Road. And applications had to reach by 3.30 pm, the official time for close of trading. So we moved to the present location on MG Road then. Some 2,000 square feet was rented initially and then expanded by adding 1,500 square feet."

The Kolkata branch began life as a franchise operation, with Keya Bannerjee being its first employee. She recalls that the office was a cubbyhole on BB Ganguly Street with fax and other communication facilities being located in another building, necessitating a lot of walking up and down. The collapsing infrastructure of the city, something for which it was legendary till the new millennium, would play havoc with work schedules. “There were frequent power cuts, telephone lines would go dead and when the Internet worked, it would be unstable.” During the heavy monsoons that Kolkata was known for, streets would get waterlogged and yet Keya would wade, often through water three feet deep and make it to the office.

When the industry hit a peak in 1998, as noted earlier, applications began mounting in Kolkata necessitating that Keya stayed back till late, completing the work with the help of other employees in the franchise. This had its compensations, for this is how she became good friends with Kaushik Bannerjee who worked on the software. This blossomed into romance and the two would get married in 1999, a union made possible thanks in part to CAMS! Keya’s diligence did not go unnoticed and one of the mutual funds offered her a job. When this came to be known to B Vishwanath, he intervened and got her transferred to CAMS itself, along with Kaushik. The rest of the employees remained with the franchise.

Soon it became clear to CAMS that if it wanted to make a success out of its Kolkata operations, it needed to run a branch there by itself and not depend on a franchisee. Keya recalls Vishwanath and Srinivasan coming over for a detailed study. Realising that if this happened all the employees of the franchise would lose their jobs, Keya intervened and requested Srinivasan that they all be taken over on the rolls of CAMS. This was agreed to and within a few days, CAMS was in business, in a new office on Rafi Ahmed Kidwai Road. The branch would shift some years later to the upmarket Park Street where it now functions from 8,000 square feet of space, a far cry from the airless room on BB Ganguly Street. Keya is now the manager of the operations, having taken over from S Sukumar, the first incumbent to be recruited when the franchise was terminated.

Sukumar says he had no inkling as to how the mutual fund industry worked when he joined CAMS, having worked with CEAT Financial Services and his role being restricted to deposit mobilisation. His interview with Shankar lasted just 15 minutes. Initially, he was asked about his contacts with brokers and the topic then veered towards whether he was confident enough to handle mutual funds and over 5,000 applications a day. Sukumar replied in the affirmative and was appointed. When he joined, there were 12 employees and the office was just in the process of shifting from BB Ganguly Street to Rafi Ahmed Kidwai Road. Sukumar still remembers the cooperation he received from his staff, especially Kaushik and Keya Banerjee. On his first day, Srinivasan helped him with setting up the office and telephone connections and introduced him to the employees.

Within a year, he was promoted as Regional Manager – East. He attributes this to good rapport he had with top executives at various AMCs. He also improved the office infrastructure gradually during the year. There were about seven AMCs when he took over and the volumes were something like 700 applications per day. Just after he joined, in 2001, he started opening branches in the eastern region. The first location was Bhubaneswar in Orissa. It started with three employees. The operations rapidly expanded to reach 63 locations in 12 states today – West Bengal, Orissa, Bihar, the North eastern States, Chattisgarh, and Jharkhand. Kaushik Banerjee is now the Regional

Coordinator, and he and Sukumar cover all the 63 locations, visiting each centre every three months.

As CAMS expanded in eastern India, problems multiplied for the Kolkata team. Poor Internet connectivity and staff that was initially unfamiliar with CAMS processes forced the Kolkata office to take up the extra workload. On one occasion, the Guwahati centre head read out the application details over the phone and it was verified after a fax was sent to Kolkata the next day. Keya also remembers a particular incident at Jamshedpur where the franchise piled up applications and never processed them. As Sukumar and Kaushik were on their tour, she sent a couple of people to ascertain the situation as complaints started coming from customers about the status of their applications. Matters reached a level of seriousness that necessitated a visit by NK Prasad to the branch. Once again, it was the Kolkata office that helped clear the backlog.

Initially, when the operations started, error rates were high. Keya had training sessions on Saturday and through discussions helped the team to reduce errors. As a senior person, she always read the Offer Document of the mutual fund scheme to understand the requirements and she made sure that others soon came up to her level. Help was sought from the Chennai office when they did not know the solution.

There were occasions where she stayed till midnight and so did the whole team for three to four days at a stretch. “They all did it as we felt we were part of a family,” Keya says.

Staying at work through the night was never a matter of compulsion say several senior employees across the company but done more out of a sense of responsibility that the job at hand had to be completed. “March 2000 was one of the landmark months for the mutual fund industry," says Ashok Suvarna. "Post that the dividend distribution tax was coming in. So most MF houses declared dividends and publicised them. Some of us did not sleep for 72 hours. It was a nightmarish experience. From 1,000 applications a day we rose to 5,000. Those were days when systems were not connected remotely. We would do data entry and send it across to CAMS in batches. The sudden surge was unexpected. The way CAMS hosted the entire data process and handled it was a great testimony to their skills. I do know of another fund handled by a different RTA where a few crores had to be written off owing to faulty processing. This never happened with CAMS. During this time I don't remember a day when I could not serve a customer because the CAMS systems went down. That is proof of the discipline that was inculcated and the checks and balances that were in place. The ability to think ahead was immense. I have never forgotten this."

There were however occasions when this resilience could be tested to the extreme. "It was in 2005 that during the monsoons, Mumbai received 92 cm of rain in one day," reminisces Venkataraman. "Even the stock exchange closed down. A core team of people slept and lived in the office of CAMS for three days and kept it going. The same year, some parts of Chennai became inundated and we had a similar crisis. It has now become normal practice for us to keep an eye on Met reports. In case heavy rain is forecast, we inform key staff to come prepared with change of clothing, etc. Rooms are booked in hotels in the vicinity and they are made to spend the night there."

A greater challenge was to befall the Mumbai branch on November 26, 2008. Terrorists struck the city and the area where the CAMS office was located, roughly equidistant from the Taj Mahal and Oberoi hotels, was in the thick of the crossfire. There was considerable panic and yet the branch did not close. The women employees were sent home safely even as a skeleton team remained to complete the deliverables for the day.

Customers noticed all this and were quick in their appreciation. The number of AMCs handled by CAMS multiplied manifold during this period. It was also on the basis of these strengths that the company could hold its own against rivals. “The way we fended off competition is a very interesting story,” says Venkataraman. “A major foreign bank got into the RTA space. Any mutual fund has to have relationships with a bank, an RTA and a custodian (for the investments). This bank claimed to be all three, in short, a one-stop shop. They proposed to their clients from these angles claiming that it would also speed up funds receipts and payouts. We were only an RTA. At that time Birla was their client. They began approaching some of our clients. They were very confident of getting a new AMC to migrate because they were globally a key relationship. But after a number of visits, the new AMC appointed CAMS as their RTA. Then in 2005, we also got Birla. The foreign bank decided to exit the business after that. The same thing happened with another major foreign bank as well. Apart from their own mutual fund, they had only one client. After trying very hard for five years to add new clients they gave up and left.

The moral of this story is that you need to go with a service provider based on his/her competence and also the service at a price point. A good airline cannot necessarily run a taxi service well. Similarly, a cab service operator cannot hope to manage an airline successfully simply based on his traditional strengths. Our successes gave us enormous confidence that what we were doing was right. We had to simply focus on what we were doing and keep getting better at it.”

Chapter 11

Raising a Family

"From the beginning, the company realised that two elements are of strategic importance for its success: appropriate technology and people," says NK Prasad. While technology remained a mainstay of CAMS operations since its inception as we have seen, its people-related initiatives came into focus even as the company began to grow rapidly along with its client mutual funds. Efforts were made to recruit the right people and provide an environment for their retention with the company.

"If you see the nature of the business, it is taxing to the extreme as the transaction volumes go up," says Prasad. "Whatever we achieved was due to the strong sense of commitment of our people. This can only come about if there is bonding with the company, not just for the employees but their family members as well. Fortunately for us, CAMS believed in creating such an environment and has continued those efforts till date."

Every year, a Family Day is celebrated throughout the company, at the head office and the regional centres. At Chennai the event assumes colossal proportions. Prasad recounts, "When the company was small, we used to arrange buses and take the team with family to places like MGM Dizzy World." Entertainment programmes, some of which were performed by CAMS employees, were a regular feature at these outings; the event usually concluded with an elaborate dinner. As CAMS grew in size, the Quaid-e- Millath College grounds or St. George's School and Orphanage grounds in Poonamallee, became the only spaces that could accommodate the swelling numbers – around 8,000 people at last count. The programme typically starts at 2 pm with the arrival of employees and their families. There are stalls that offer games and entertainment.

Venkataraman goes on to explain: "It's like a fair. Generally family members have a good time. After snacks, the audience is seated, following which stage performances begin. From 4 to 6 pm, CAMS employees sing, dance, perform skits or dramas. After that, a professional MC and performers take over. TV personalities are invited. There will be mimicry, songs and entertainment. Interspersing these entertainments would be speeches by directors, the CEO or the COO of CAMS. Service awards are given to people who have served CAMS for ten, fifteen, or twenty years. We address the families as well, creating a feeling of unity."

At Coimbatore, which is a large centre, the Family Day is celebrated as it is in Chennai, with employees and families. In other places, get-togethers happen across a region. "For instance, those in the east would travel to Calcutta," says Prasad. Although there is no official agenda involved in these get-togethers, most of the time the gathered employees share their experiences and ask for clarifications. In Prasad's view, it indirectly helps improve processes in the company. The Family Day at the regional level is held on a weekend so that work does not get disrupted. Each employee, be it in Chennai or any other place, can bring in four members of his or her family. Employees who are single can bring two of their friends as well.

While the Family Day provides for a good outing, it also serves the purpose of bringing home to the dependents of employees the message that the breadwinner works for a caring organisation. They also understand the size of the company and above all, its significance in the national scheme of things. Prasad explains the key take aways – "We are today a national family coming from different states, cultures and backgrounds. We follow the secular policy of nurturing talent within the company. At the end of the day, we serve our investors. Basically, we help millions of families secure their financial needs through their investments in mutual funds. A strong sense of social responsibility of helping investors secure their financial needs and achieve their financial goals comes through. The families realise that working at CAMS is much more than a routine job."

Outstation trips for the company as a whole have also been undertaken, though given the scale of the operation, these have been rare occurrences. Once during an extended weekend, the staff was taken to Kodaikanal. An entire train, comprising two tier sleeper coaches was arranged for travel from Chennai to Madurai and from there buses took everyone up the hills. At Kodaikanal care was taken to ensure that the same accommodation was available to everyone across the company. When some teams perform well or accomplish something special in a project, the members are gifted with weekend stays on beachside properties outside Chennai. Some teams visited Yelagiri over a weekend and a team went to Ooty as well. In 2006 and 2007, the entire management team comprising 250 people travelled respectively to Singapore and Dubai.

In addition to the big annual events, CAMS also encourages extra-curricular talents among employees and their children. Every year, on November 14, Children's Day, some contests are organised.

Independence Day and Republic Day feature several competitions for children also. Kolam, music and cooking contests are held as well as basketball, shuttle and carom competitions. Sports events are usually conducted at the YMCA Grounds in Nandanam. Prasad explains, "Talent scouting is done in many ways. When a new employee joins, the HR Department ascertains what their personal interests are. If any of them has a particular talent and it is an area where we have some engagement, we get them to join teams that already exist within the company."

Recruiting people and making them feel at home is one thing. But what of their continuous development within the company? That is where CFCP - a functional certification programme of CAMS comes in. The functional areas include customer service, transaction processing, pay-out processing, and brokerage, among many others, all requiring functional experts. Prasad explains, "We have special MIS to monitor this. We intuitively look at how many specialists we need in each of these areas. We want people to get in-depth knowledge and the certification helps." Any of the employees can nominate themselves to take this up. They undergo an online test, after which an expert team conducts a rigorous viva-voce. On the basis of the online scores and viva-voce, the successful employees are designated an expert or a specialist. If an employee is designated a specialist, he or she gets a significant amount as an annual incentive. That is for each area of specialisation and if an employee chooses to be an expert in more than one, then earnings also multiply. The awardees have some obligations as well. Each specialist and expert has to help at least two employees get the certification every year. This way, at least half a dozen employees are trained annually and a few of them end up getting the expert or specialist certification. As years pass by, CAMS keeps building its pool of specialised talent, which helps the company's growth in several ways - firstly, these experts and specialists help the company stay at the top with their cutting-edge skill sets. Secondly, this aids in continuous improvement.

Prasad explains, "Our technology enterprise system is very evolved and mature. Changes continuously happen. Technological changes are rapid, necessitating rigorous testing such as regression testing, what-if scenarios and others. The specialists are usually employed in testing these new releases." Given that roll outs can only happen during weekends owing to CAMS' live market presence, this means experts or specialists need to be enthusiastic enough to sit through Saturday and Sunday to enable a Monday release. They are also called to become trainers for new recruits and become visiting faculty at branches.

Initially, replacement for vacancies and for filling up new needs was the usual approach to recruitment at CAMS. This was to change. Prasad illustrates - "In 2002, for example, our need was something like 100 people. Between 2004 and 2008, the assets under management grew five times. The transaction volumes grew ten times. In that period, we needed a large number of employees." A different paradigm was adopted for recruitment during that period. It became necessary to recruit in groups, train people and keep them in reserve for vacancies. Given that these people had to step into the live environment when needed, rigorous training became mandatory.

The actual work happens in a live environment with several controls on data and security with regulatory supervision. So putting a new recruit through an on-the-job training would not work. After sufficient thought, a parallel work environment was simulated for the new recruits. New employees worked in the simulated environment for three months. The trainees then moved into the real environment where they got exposed to the real-world situation. New teams when formed had a mix of old and new people- a team of 200 would typically have 50 existing employees and 150 new employees. This was how CAMS managed the growth from 2004 to 2008 even as the company grew from 450 to 4,000 plus employees.

Technical expertise and domain knowledge are skills used by an employee to deliver work that meets the customer requirements and complies with regulations. Beyond these skills, CAMS' way of working inculcates certain values into the employee mindset. Prasad is emphatic that the most important thing for a CAMS employee to have apart from functional expertise is alignment to the core values of the company. CAMS' core value is putting customer first – no matter what be the sacrifice that the company has to make. Accountability is a key factor here as financial records of many investors are maintained by CAMS. Prasad explains, "Our core values are integrity and accountability. For example, anyone could question us on a transaction that took place ages ago. We should have the capability to show what action we took then – in the case of say redemption – when it was done, what was the value and how the payment was made. We have the record of the entire reconciliation process. The third value is reliability. Every day, Rs. 30,000 crore of transactions are done and bulk of it has to be cleared by 9 am the next day. It is like an overnight investment.

The customer trusts us with the treasury money by investing on Friday afternoon along with a redemption request with an assurance that the latter will be honoured on a Monday morning." The core values – integrity, reliability, accountability – are seamlessly built into the way CAMS operates.

The other aspect of CAMS operations is transparency. This at CAMS is partly through systems and partly through human effort. Customers are given live data for their transactions. The system control helps CAMS achieve this by making sure that all branches, the call centre and the back office have the same data for every customer, which is updated till the last transaction. The core system has all the customers' investment and transaction data. There are multiple views given to each branch or section. This way anytime the customer raises a query, they are assured of every detail of the transactions. "CAMS is in a unique position to tell you everything you need to know," says Prasad. "We can give information if units have been allotted to you, or if a new NFO has been launched and units are being allotted. And if you want you can get your account statement also. We achieve transparency by giving multiple options, consistency, up-to-date data on all customer touch points."

Venkataraman has more to add on the integrity aspect. "There can be situations where the broker code is entered wrongly leading to a complaint. There are two ways of handling it. We can simply edit the broker code in which case there is no trace of the error thereafter. But reversing the whole transaction is the only way by which we will have a complete trail of the changes. This takes time. Initially, the brokers felt we took much longer than competitors to correct errors. We explained our stance and eventually the AMCs agreed with us. We have an unwritten rule that senior management at CAMS should not hear about errors from clients. We prepare a list upfront and tell the client why it happened as well. We also tell them how we are addressing it and steps to prevent it in future."

Another aspect of the CAMS culture is that it encourages continuous learning. Employees are expected to ask, if they are not able to understand an instruction, across hierarchical levels. Prasad tells employees, "We stand by you for your mistakes, if they are errors in judgement. We encourage people not to hide the mistake. Instead we expect them to analyse why the mistake happened. But not executing a clear instruction will call for severe penalisation. It was a difficult thing to implement. CAMS is all about performance, metrics, continuous improvement and continuous learning. Our collective effort is to minimise the mistakes as a team." But not carrying out an instruction led to very harsh disciplinary action and the errant employee's name was put up for public view. What eventually happened was that only the employees who were able to adapt to the environment stayed.

There is therefore a continuous emphasis on teams achieving their targets and eventually expand the boundaries of their work as much as possible. At the end of the year each unit makes a presentation on achieving its metrics. The level of achievement varies. For example, some units would do the pay-outs accurately. The other teams would excel in transaction processing, brokerage function or customer service. Each of these is rewarded. In recognition, a cake would be cut in the work area of the performing team. Gift coupons are given. Earlier, unit managers used to be given iPods. There used to be heavy competition. This created pressure to perform well against all the teams. Knowledge sharing became part of the culture through this team exercise and everyone understood as to what made the teams successful. The end result was that performance as a company continuously improved.

There was a flip side to such rigorous performance practices. When consultants were hired to assess managers, they were astounded to see almost all of them were left-brain oriented (analytical), competitive and metrics-driven. This was a revelation to the company. "We realised that it could also be detrimental," says Prasad. "We realised that we needed complementary skills and right-brained people as well. We consciously recruited some people from industries completely different from ours such as the hospitality sector. This made the teams multi-disciplinary, with individuals having different skills. Excessive performance orientation made us a one-sided organisation, which we tried to change. We are however still going through this adjustment."

CAMS has an alumni association, a distinct initiative to connect with employees who left the organisation. The relationship however never ceases, for ex-employees watch out for news reports on the company and frequently write in expressing their happiness at the various milestones that CAMS crosses.

Chapter 12

Strengthening the Software Platform

The tech boom in mutual funds and the stock market was to fizzle out by 2001, leading to a fresh bout of bearish sentiments. The dot-com bust was a global phenomenon and therefore it triggered a worldwide crumbling of equity markets. This was to have its impact within India as well, with huge implications for the mutual fund industry–foreign investment fell alarmingly and some funds such as Pioneer ITI and Newton Investment opted to exit India. For CAMS this meant the onset of bad times, but there was sufficient confidence in-house that this was yet another phase that needed to be tided over with patience and full faith in the company's strengths. These were its systems and its people. With these in place, CAMS not only remained the market leader but also became a model for the industry.

As the dull phase extended till 2004, it soon became evident that Alliance Capital, CAMS' first customer and key investor in its software arm Acsys, was also feeling the heat. It was still a top-ranked fund in India but its US headquarters was in for a bad time with investments in firms such as Enron and WorldCom leading to huge losses. The company opted to wind up its Indian operations in 2005, its schemes in the country being taken over by Birla Sun Life

AMC. Fortunately, this mutual fund too was a client of CAMS as we saw in an earlier chapter and so this did not result in any loss of business. But the departure did mean that Acsys, the software development arm that was a joint venture between CAMS and Alliance Capital would have just one parent to guide it.

Acsys was a budding technological company then. It had major Indian clients in American Express, BNP Paribas, DSP Merrill Lynch (now DSP BlackRock), Grindlays Bank (now Standard Chartered) and Birla Sun Life, besides one overseas customer, Banque Generale Luxembourg SA. The company was expecting an upsurge in international business prospects. But with the astronomical growth of the financial sector within the country, the focus soon shifted to developing the platform that catered to making CAMS processing of mutual funds more robust. With the exit of Alliance Capital, software activities became completely CAMS-led and have since remained that way. The company has in recent times been renamed Sterling Software Private Limited but as it was Acsys for much of the period that this book covers, it is referred to by its older name throughout the book.

The operations team looked at making the process simpler to the investor and broker, with quicker responses and consistency in its actions. The technology arm focused on how to make do with lesser computing resources and how to leverage emerging technology to ensure a superior experience for the customer.

To strengthen Investrak, its product, and make it process-driven, quality assured, and secure, the company began several initiatives. Kannan Subbiah was one of the many people who joined Acsys then, after several years in software development elsewhere. Although he joined as a Project Manager in 2001, he became the Chief Technology

Officer (CTO) within a year. Kannan's first task was to have processes in place and then build quality systems around them. Running the application on the legacy system with scarce resources was difficult. Kannan led the migration from two-tier legacy architecture to .NET multi-tier architecture. He was instrumental in designing and developing the new system. Another innovation to save time and quickly process applications was image-based data capture. Till then, all applications were manually transferred from the respective centres to CAMS for data capture via the transfer agent (TA) system that Acsys developed. What Kannan suggested was that the applications could be scanned at the regional centres and sent across to CAMS. This was for its time a highly disruptive scheme but it had tremendous impact. Scanners were put in front offices in all locations and applications were sent as images to the central processing office, where the data entry was manually done, using a large screen with the scanned image and the data entry form side by side. "We tried to automate data capturing by optical character recognition too but there we were not successful as the technology proved inadequate to handle the myriad variations," says Kannan.

Shortly on the heels of this came Distrak, the product offered by Acsys to distributors of mutual fund products, which turned out to be a major boon to them. Till then, distributors did all their work manually, right from processing customers to calculating commissions, reconciling which proved to be tedious. Prasad explains, "It is important for the distributor to integrate his proprietary system to the RTA system. You need to build an interface with the distributor regarding acceptance or rejection of transactions. When we built this, it was very useful. It was also necessary to build the trust of the distributor and the investor." CAMS created a platform called FundsNet for the individual financial adviser who did not have a technology backbone for his operations. It became FinNet when access was later given to the entire industry.

Today, the distributor can seamlessly conduct his business through FinNet with the help of a laptop and Internet connectivity. Transactions are done on the fly through this platform. Several extensions of devices are also used for transactions. 'Anytime anywhere mutual funds' transactions are carried out over a tablet or a digital pen. Prasad says, "You write on a particular type of form using a digital pen. Once you dock the pen, the form is saved in the server. Then the distributor also has the debit card/credit card swipe facility to get the investment." Using FinNet, even a banking correspondent can complete a transaction.

Distrak was therefore yet another industry-focused disruption with distributors becoming delighted users of the product. They had all customer data in one place and when they received commissions from AMCs, they had to simply verify it with Distrak and report discrepancies. Such reconciliations were minimum too as it was CAMS that was calculating the commissions through its TA System anyway. Being a market leader this meant the company satisfied the bulk of the distributor community.

Kannan speaks of people challenges that were also very high during his tenure. To address it, knowledge acquisition, team skills, and collaboration were ingrained into the team members. Acsys invested in knowledge upgrades for developers by which they became experts on the applications run and also acquired a decent knowledge about the domain - the mutual fund industry. When learning was the focus, compensation issues and attrition slowly died down. Further, Acsys had a rapport with CAMS that always saw the companies as one rather than separate. Efforts were made to ensure that everyone in Acsys realised that they were part of a larger scheme, with CAMS being the leader in the industry. This, according to Kannan was one reason why many people stayed on.

The growth of the companies, both CAMS and Acsys, meant systems for administration and governance had to be in place. M Venkataraman, recalls the scenario in 2001:

"When I came in, it was a fertile ground waiting to be cultivated. We had an excellent software platform providing customers with very good service. What it lacked then is common to most companies that suddenly grow big. You need formal planning, formal metrics to measure performance. These were important and this is what we worked on. Let me give you a few specific instances.

First, we began measuring our deliverables. The clients were happy but still needed to know what was the quality of our delivery. Internally we needed to know our productivity. Let us take the client interface first. The number of errors made is an important measure. So we had processes to measure these – non-financial ones such as spelling mistakes, which are less impactful, and the financial ones where errors are made in amounts or number of units. We began sharing these compilations of errors with the relevant client. This was an important initiative. You see, a client may be perceived to be a happy one and then over a period he/she may come up with several causes for complaint. We pre-empted this by sending out the error reports so that the client would know upfront that we were aware of our shortcomings and were working towards improving them. We began sending monthly reports on all parameters – for instance certain transactions had to be processed in 24 hours – these being financial in nature. They have to be completed by midnight. The expectation is that we had to meet this deadline. But at the same time, delays could happen because of the client as well. For instance, the Net Asset Value (NAV) has to come from the client. In case there is a delay in this, our process would also be delayed. These reports hence helped in highlighting this as well. The client can therefore never arbitrarily say that he/she was unhappy.

After that we began using the above statistics for root cause analysis internally. Why did the error occur? Was there some lack of control in our way of handling? Now the reports are standard operating procedures as far as we are concerned. But we have internal reviews each month. We don't measure performance and watch trends for just a month but over six months. This is to take care that a particular good or bad performance is not a flash in the pan or a misjudgement. With large clients we have a full day review meeting every quarter. With small clients, our reviews would be at least three times a year but there are many who go by our reports and feel comfortable that we handle it ourselves."

Error free processing is the greatest strength of CAMS says Piyush Surana who was with Alliance Capital during the years it functioned in India. In particular, he remembers the time when the mutual fund launched its three simultaneous schemes referred to earlier. "We got such a huge number of applications that HDFC, the collecting bank, could not handle it. There was one form for three funds. The data entry was happening at three different units and so the form had to travel. Someone got the idea that the forms be photocopied and so we had some double entries. CAMS did a magnificent job. The bank could not give its certificate because it had no idea as to how the money was divided to the three funds. And so they depended on what CAMS said and gave their certificate accordingly.

At the end of the exercise we had some expense account money at Alliance Capital that was left unspent. I insisted that CAMS be given this as a bonus. This was a gesture of mine they appreciated.

In 2001, volumes spiked and reconciliation of amounts deposited by CAMS in the banks began to go haywire as the manual system was failing. Our accountants were travelling there frequently to resolve this. Our collecting bank was HDFC and so we asked them to sort it out. A team of three including me, flew down, spent a weekend with CAMS and discussed how the feed to HDFC could be given electronically. That soon became an industry standard. It was this sort of cooperative model that worked."

The systems thus did not spring up overnight but came about through continuous analysis and brainstorming. Once they were implemented however, they made the functioning of CAMS foolproof. Girija Raman recalls an episode when two cheques for the same redemption were paid out to a corporate customer who happily encashed both. "I had to keep following up for a refund and each time I would be fobbed off by the client stating that they acknowledged the double receipt but were short of funds to repay the extra amount paid. But I persisted and got the refund eventually." This incident triggered a root cause analysis and a procedure for prevention of such occurrences in future. "All high-value transactions, would go through an internal audit. After the audit cleared it, the person at the desk who was responsible for the payout had to check again before the payment got released. Thus duplicate payments were plugged."

Girja also recalls a time when a high net worth individual wrote to Shankar that he was not receiving the monthly statements. "He was from a software giant in Bangalore and therefore fell under my jurisdiction. Shankar was understandably annoyed. Fortunately for us, the system ensured we had proof of delivery of each statement. I had them furnished and got a letter of apology as well!"

Thanks to these initiatives, CAMS soon came to be recognised as a key functionary in the industry by the Association of Mutual Funds in India (AMFI), a representative body set up in 1995. AP Kurian, a veteran in the world of finance, who after more than two decades with the Unit Trust of India became the Executive Chairman of AMFI and later a Member on the advisory board of CAMS best describes the company's role:

"It is an innovator and initiator in the field of applying technology to investor relations management - applications, processing, issuing the certificates, allotting units, informing on NAV and helping repurchase. The whole gamut of processing has been freshly looked at - keeping speed, accuracy and efficiency. In the old days, a simple certificate used to take months and the same was the case with repurchase. I can still recall the chaos that happened when a behemoth like UTI introduced computerisation. The opening of the mutual fund industry to private initiative was an opportunity, and at the same time a challenge to shift operations to a different gear, different levels and different speed. CAMS brought the technological edge. Shankar was singularly focused on mutual funds- his body language, his thought process everything was focused on it. He and the company he ran brought the latest in technology and created a system that made me realise that internationally we were second to none. It was a pioneering effort."

Kurian cites several instances where the CAMS impact was felt – "Cutting down processing time to a day was perhaps their greatest contribution. This pruning brought down the time to almost online levels. Redemption regulations said seven days and were later cut to three days but CAMS showed it was possible to do this within 24 hours. If you gave an application within banking hours you got the certificate within 48 hours. The publishing of the NAV each night is the responsibility of the AMC and yet it was CAMS that made it possible."

CAMS does not claim it in all humility but it must be recorded here that the 24 hour norm referred to by Kurian was something that the company had foreseen even in its first meeting to discuss the possibility of handling mutual funds!

Chapter 13

Bringing in Best Practices

Handling the client/investor for a mutual fund that was always with CAMS is easy. But what of instances where a fund took over another or when a fund migrated its RTA services from another agent to CAMS? After all, no investor would be willing to wait for long. That is when the responsibilities of CAMS get really challenging. Much will then depend on how carefully the taking over has happened at the back end. Venkataraman explains how the company handles this.

"When a merger from another service provider is involved, detailed planning is needed. We get sample data. This is run on our system and feedback is given. Pilot runs are done. If a merger is to be done in June, the process will start by April. After the pilot, parallel processing will be done. Joint meetings are held between us, the service provider, and the two funds that are involved in the transaction. Detailed plans are made out. The old documents also have to be taken over. Once the acquisition goes through, we become responsible for the old data also. Thus there is intense cross-functional collaboration needed. We even do test checks on physical documents. If that is satisfactory we take possession of the documents. If it is not so, we need to do a 100 per cent check. This is because an investor can come back with a query any time later and we need to be prepared. Of course, any merger needs SEBI approval and that interim time is when we get ourselves prepared. At the time of the takeover if there are any pending transactions, these will be documented in detail – unclaimed dividends, unprocessed claims, pledged units, and legal issues concerning some transactions."

Such takeovers can also at times demand changes in the software platform. "The day-to-day coordination with mutual funds is handled by the Relationship Managers," says Parameswaran. "I am of course always available and seniors like Srinivasan and I chip in with the wisdom of our experience and knowledge. Today, our software platform is more or less standardised and so is our methodology of client handling but there will always be some variances across mutual funds, and we need to tweak our systems for it."

Such changes and processes need validation, given that each step can impact public savings.

All systems look good on paper and the true nature of preparedness is revealed only when put to real practical tests. This was to be challenged to the extreme when within a span of eight months between 2004 and 2005, CAMS integrated two big accounts from other RTAs into its portfolio. In August 2004, SBI Mutual Fund migrated all their MF accounts to CAMS, replacing the three RTAs they were outsourcing to till then. As one of the earliest funds, it was as we have seen earlier the first non-UTI mutual fund to be set up, the SBI MF had a 27-year history. And taking on the account meant transferring all the data from all the three RTAs. It also meant that CAMS had to maintain business continuity of the fund without interruption. The migration was planned on a weekend so that business operations could continue on the following Monday. It was a massive exercise involving the teams from technology, operations and senior management. Given the scale and the importance of the account for CAMS, the company had a crack team handling it from inception. Thus, even on day one, there were about 150 people working on the SBI MF. A bulk of the team comprised new employees. Some internal people also were chosen to be part of it. At the time of migration, SBI MF had Rs 5,000 crores of Assets Under Management (AUM) and 20 lakh accounts, including the zero balance ones – those accounts that existed in name and did not have any units to their credit. Even then, the number of live accounts - 8 lakhs, was big enough.

Prasad says, "Once we migrated the whole thing, aligning the company to the business practices of CAMS was difficult. It was a process of daily learning. The settlement practices were different. They would print their warrants and these were settled through the SBI system. The warrants would go to Bombay and our team had to physically get them back for creating records." Further, SBI MF had special rules for transactions. And yet it was all done in record time. As Prasad says, "In August 2004, we started with one RTA and completed the other RTAs by September."

In the period immediately after the migration, SBI began launching several NFOs. Given the size of its network, most of these offers were branded mega NFOs, each attracting over seven to eight lakh applications. When these activities were distributed across multiple RTAs earlier, their size had gone unnoticed. But for CAMS, it became an onerous task to get the applications from across 400 cities, all arriving in bundles. Moreover, there were only 15 days to process them and allot units. Prasad sums up what became an interesting experience: "The client told us you will get a certain number of applications but we ended up getting seven times the volume. The worst thing was even the banking and the courier systems could not cope with it. At that time, there was even a suggestion that we should seek additional time for processing. What happened next is entirely believable though it sounds apocryphal - somebody at SBI MF approached the regulator for an extension. The SEBI official supposedly asked him as to who the RTA was. When the answer was CAMS, the official simply said, "Don't worry. They will take care of it." People worked literally 24 hours a day. An employee typically would put in something like 12 hours in a day. We completed the task ultimately. The client was delighted."

Within a short while, CAMS came to grips with SBI MF's traditional procedures and began working on scalable and technologically feasible changes that could be done. The tedious settlement process was transformed to electronic mode and today SBI MF has the highest volume of transactions, a record it holds for over four years. Prasad adds, "This makeover has helped in seamless growth and has given superior experience to the customers." The AUM with SBI MF is now more than Rs. 1 lakh crores and customers have grown six times what they were at the time of migration.

The next big account to be acquired was Birla Sun Life Mutual Fund. This had a history of organic and inorganic growth in its initial years and by the time CAMS began to engage with it, it was a 11-year-old fund. It had grown steadily by means of acquisitions as well – in 2005 as we have seen, it took over Alliance Capital Mutual Fund, whose RTA had been CAMS.

At the time of migration of the Birla MF to CAMS, it was even bigger in size than SBI MF. Fortunately, as the account was migrated from

Citibank's RTA arm, data was organised but there were changes that had to be made. This was where the learning from the SBI MF migration came to be of good use. Prasad points out, "What we learnt in the previous migration we applied in the second and plenty of glitches were ironed out." Given this scenario, the Birla migration was relatively smooth.

It also resulted in a major learning exercise as far as CAMS was concerned, one that it would standardise across the board. Today, CAMS does a review of all the clients every quarter. This exercise is undertaken with the intention of understanding the AMCs' business priorities and focus. The best features arrived at by each AMC operating unit at CAMS are carefully tabulated. These CAMS best practices are then suggested to all its clients. For example, a best operating practice arrived at by a CAMS unit for one client is recommended to the user group of all clients. A document titled 'Mitigation of Risk in Mutual Funds' is sent to all the clients, containing this information every six months. "Some new clients readily accept our best practices," says Prasad. Over time many of such best practices originating at CAMS have become industry standard.

Through this process, CAMS has emerged as the knowledge partner of its AMCs, rather than being just a service provider, as it analyses their processes and comes up with best practice options. And yet, not everything can be standardised though the attempts are continuously on. "The biggest differences occur in areas such as systematic investment plans (SIPs) and in brokerage commissions. I can suggest workarounds for any requirements of the mutual funds and given the years I have spent in the industry, clients give me a patient hearing and consider what I have to say," says Parameswaran.

Systematic investment plans (SIPs) are the lifeline of the equity funds. The SIPs were of the order of Rs. 1,500 to 2,000 per instalment eight years ago. Even today, the amount is on an average around Rs 3,000. The big difference has however come about in how this is processed, largely due to CAMS. A decade ago, the customers issued pre-signed, post-dated cheques. These were kept in the safe custody of CAMS. And on the designated date, the appropriate cheque was retrieved from the bureau and deposited at the bank for clearance. This process would take four days. The money would be credited to the AMC's account after eight days. Not only was this procedure tedious, it also posed a huge cost to the system, all of which was absorbed by the AMCs.

CAMS had about 100,000 accounts on its books for SIP in 2005. The volume began to rapidly ramp up thereafter and it soon became clear that a better solution had to be in place to handle it. The company created a set of technological processes that were highly scalable and also able to "handshake" with the banking system. What then typically happened was that the payments were debited from the investor's account electronically and units were allotted every month. It was a seamless operation of SIP accounts at the lowest possible cost. The SIP Book has since grown to 62 lakh accounts over the past ten years..

By the late 2000s, the Mutual Fund industry had begun to consolidate. "In this journey, each of the AMCs came up with their innovations to complicate our life," says Prasad, with the smile of someone whose passion is to bring order to the business. "Some funds began offering additional insurance covers like general insurance, life insurance and accident insurance. Apart from creating units, we created a handshake with the insurers as well to integrate them with the customer accounts."

Today, the very character of the industry is providing on-demand unlimited delivery of services at zero cost. The burden on the fund increases to deliver extra services at no cost. CAMS offered scalability with cost effectiveness and higher customer responsiveness. Prasad concludes, "This has helped us to become leaders in technology in the MF industry".

If we turn to Kamala Radhakrishnan, Vice-President, Business Development, who joined CAMS in 2009 after a career in banking and outsourcing, we get to understand the way CAMS through its best practices, changed the business dynamics for RTAs. "There were five or six RTAs initially. But you can deliver a lot of efficiencies both in terms of process and cost efficiencies only if you build scale and specialisation. Some of those with one or two clients fell by the wayside. Some clients migrated. The industry itself went through a consolidation phase. Some AMCs sold out and some were bought. Through all this, CAMS' leadership position has not been impacted."

If considerable time and effort was spent on ensuring that CAMS had the inner wherewithal to succeed in the mutual fund industry, there was an equal amount of investment in ensuring that its external face was what mutual funds wanted to see in an RTA. Every call was answered and every query resolved in record time. A key role in ensuring that this happened was played by B Vishwanath, who between 1990 and 2003 was one of the principal architects of CAMS. BV, as he was called, joined the company as Marketing Manager in 1990 and soon rose to become a Director. A brilliant career was cruelly cut short by a cerebral haemorrhage on September 17, 2003 but his impact is still felt by the company, in terms of its existing clientele, its system and its culture. Srinivasan, who was very closely associated with BV, remembers his colleague and mentor:

“BV, French-bearded, cool-headed and ever-smiling was sophisticated, highly professional and easily approachable to one and all. His concern for others made every staff member of CAMS speak to him freely and share their thoughts or seek his guidance. He was very particular about the language of communication and would not mince words if he found this lacking in anyone. But he would not stop with that, for he would go the extra mile in correcting the person and ensuring that he/she got it right for all time to come. Language and articulation were aspects that made him stand out in a crowd.

Having had the opportunity to live in various parts of India during his childhood /adulthood, he could speak different languages as though each was his mother tongue. His fluency in English, Hindi, Tamil and Bengali aided his ability to bring clients to CAMS and retain them. Being a marketing professional, BV it was, who would do most of the sales pitches and presentations with new and existing clients. His presence would be electrifying; when he sat down he would quickly scan the environment and given his eye for detail, he would assess potential gaps in a split second. A significant portion of CAMS’ present portfolio is due to him. This was true of not just mutual funds, for even in the securities market he brought innumerable clients for the share registry business including IPO (Initial Public Offer) handling. This encompassed interaction with various stakeholders, banks, their branches, clients, and CAMS service centres and he personally monitored processing of applications, which typically ran into huge numbers.

On the people front, to the external clients, BV would come across as a top notch professional with impeccable behaviour and sound knowledge in domain area coupled with strong communication skills. He passionately mentored lots of people within the company and some of them now hold senior positions in the management hierarchy. He advocated the principle of "Do it right – first time," and urged people to pick up the phone and talk problems out rather than starting off a series of emails."

The way CAMS has grown remains a standing tribute to people such as BV.

Chapter 14

Interacting with Investors

Perhaps it was BV's emphasis on direct communication that spawned it, but CAMS had a call centre long before such a concept made its presence felt in the country. As early as in 2001, customers had a toll-free number on which they could call and get their queries answered. Gaurav Nagori, of DSP BlackRock states that it was partially due to his organisation that the toll-free number eventually became a full-fledged call centre at CAMS. "Several years ago we wanted to start off a call centre. We realised that this had to be connected to the RTA system. CAMS then did not have such a facility but they partnered willingly and created one exclusively for DSP. It began as a five or six seater and now has 300 people. CAMS also enhanced their expertise over the years and this has become a full-fledged business for them."

N Rajasekaran, Vice-President, Operations, now heads the call centre division, apart from being in charge of the HDFC and DSP BlackRock mutual fund accounts at CAMS. He recalls that the call centre had begun functioning in a small way even before DSP asked for it.

"It was initially staffed with ten people and this was offered as an add-on service to AMCs, they being charged on the basis of the number of calls received from the customer. This billing practice continues. Usually, investors called to ask for NAV, the total value of their investments, or sometimes to know the status of their requests.

The call centre operations received a shot in the arm when DSP BlackRock AMC wanted CAMS to act as its own call centre in late 2004. Any customer dialling a toll free number provided by the AMC would, in fact, have the call attended by a CAMS representative."

This marked the beginning at CAMS of what the tech world recognises today as a white label call centre service – one that in this instance mutual funds could brand as their own, even though the facility was not run by them. The older call centre continues to exist and is today run on behalf of mutual funds that prefer to have CAMS running such a service in its own name. Juliet Alexander, another veteran at CAMS, she having joined the company in 1999, assisted Rajasekaran in the setting up of the white label call centre. Her first assignment had been Customer Service Officer for CAMS, serving DSP BlackRock. She recalls that in 2000, an email id had been provided so that customers could contact CAMS for resolution of issues. She holds the record in CAMS for replying to the first enquiry mail from a DSP BlackRock customer. When the call centre was being set up in early 2005, Juliet was interviewed by the executives of the AMC for suitability and was approved. It was a small team of seven people and Juliet was designated the Call Centre Officer. The operations have since scaled up and apart from a dedicated DSP BlackRock call centre, there are other AMCs who avail of the services. Call centres have also been set up at Ahmedabad, Delhi and Kolkata.

There were several other initiatives, all of which went into making what is today recognised as the CAMS brand. Kamala Radhakrishnan feels that, "If CAMS is a respected service brand it is because of the service culture which is the DNA of the company and the continuous focus to enrich investor experience through innovations.

Brand building was done through publication of customer-education articles in *The Hindu Business Line*. MF data-led features in leading financial dailies authored by CAMS are some of brand building initiatives. A CAMS-sponsored article, written by me, used to appear regularly in this business newspaper every Monday. I also co-authored a first of its kind report in collaboration with the BCG on MF industry trends in 2010 which was well-received. Data was analysed for 10 years. We launched the report and I handled the entire event from planning, making sure of right audience, right readership, and speakers . We do such events on and off. Marketing, brand building, and PR keeps happening on a regular basis."

The company began working on platforms from which it could connect directly with customers – websites, portals and much later, mobile applications, all of which will be described later. CAMS also began making customer delight an important key result area long before it became fashionable. "The customer delight team existed even before I joined," says Kamala. "As a progressive organisation we thought beyond what the customers expected as the service bouquet." She emphasises that while AMCs focus on providing return on customer investment, CAMS focuses on delivering an outstanding customer experience on behalf of the AMCs. How does this happen? "The entire life-cycle of the account is managed by CAMS. Even if the customer is owned by an AMC, for all their service requirements, most of the retail investors directly come to CAMS. The customer delight team takes care of customer escalations. An investor can write directly to the CEO of the organisation. We make sure that such mails are responded to in hours. Many of them misuse the facility also. But we realise we have to be patient. There is a team that looks at all the mails that are addressed to the CEO. They assure the investor that action will be taken and if some clarification is to be given, they are sure there is a person to reach out to."

Kamala elaborates further – "We believe that while the investor has come to make an investment and derive a profit out of it, it is important that during that time, he or she has the service experience that the brand provides him. Several MFs have entrusted their front office and customer service operations to us. We represent those brands at our front offices. We deliver their service promises. So we need to be very aligned to the mutual fund in the service standards they promise along with the returns. Customer requests have to be processed within a specified time. Although the back office takes care of the response, the quality of response is monitored by the customer delight team. Customer service people are given training upon joining and are oriented towards the customer service practices at CAMS. We have regional customer delight centres. In Delhi, Bombay, Kolkata and of course Chennai, we even have a customer delight manager. Sometimes, an irate customer has to be faced. We would not hesitate to do that. Investment size does not matter. It all depends on the issue. If it requires a personal visit, we do that to sort out the problem."

Customer delight as a concept, first offered to investors, was later extended to the AMCs as well, says Kamala. This was chiefly by way of the customised reports that were being submitted to them. As technology advanced, these improved in presentation. This got positive reviews from the AMCs. "The senior people need a quick read-through and actionable insights. They don't want to do number crunching. We thus provided reports as were appropriate to them. We provide insights to the middle-level marketing layer by way of trend reports. These have performance measures across a set of dimensions – fund's performance, gross sales, net sales, cross-sales, new accounts, new investors, number of SIP investors, how many have come from top 10 cities, those from tier II cities – all these dynamics vis-à-vis what is happening in the industry. You get to know the market share in terms of gross sales. For each of these dimensions, you can do a sub-analysis. MF management tracks their market share. The trend charts show if everything is as expected. They can thus take action accordingly."

The mutual fund industry is perhaps one of the few instances where the servicing agent also comes under the regulations of the governing body, SEBI. There are therefore stringent audits and CAMS needs to clear them each time. "They send an auditor every two years," says Venkataraman. "SEBI officials come at other times to check on specific issues such as when they introduced realisation based NAV for purchases of two lakhs and above. In addition we are self monitoring – we are ISO 9001 certified for our processes and we are ISO 27001 certified for information security. We also have a compliance officer as per norms. SEBI has also mandated that Mutual Funds together need to audit and evaluate our technology. This is done periodically."

As the industry grew, SEBI was to tighten its norms and each time it was CAMS that was first off the mark when it came to compliance. The company it will be recalled, began its mutual fund journey with Alliance Capital, a foreign fund. It therefore had the obligation to meet the local regulations and at the same time keep an eye on what global compliance demanded. This resulted in CAMS also aligning its technology, information security, data security, risk management systems to these AMCs' international practices. Eventually, CAMS created a system that was amenable to global standards and compliance. The culture of compliance therefore existed long before SEBI began enforcing certain regulations. For example, CAMS was sharing information on customers with its AMCs, even before SEBI mandated Know Your Customer (KYC) norms in 2008.

Along with these practices, some AMCs restricted foreign investors who had foreign addresses from investing in India. CAMS complied with this as well, long before SEBI made the practice mandatory. When SEBI mandated Prevention of Money Laundering Act (PMLA) and Anti-Money Laundering (AML) norms, it required reporting of suspicions transactions as a Suspicious Transaction Report (STR) to the AMC. This would soon acquire far greater importance when the Government of India set up its Financial Intelligence Unit (FIU-IND), an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Ministry. This came into existence in 2006 as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes. In 2015, India and USA signed an IGA (Inter Governmental Agreement) to share data and strengthen mutual cooperation in implementing FATCA, of which more later. Here too, CAMS was able to provide the data in a manner that was well thought out and structured.

Prasad explains: “We offered our clients our suspicious transaction reporting system. We also offered hierarchical rights to them with the managers in the AMC having access at different levels to our data. We also gave an option to AMCs to white list, which means someone competent at the AMC can mark a suspicious transaction as clean. We built that comprehensive STR reporting tool and gave it to the AMCs. Our fee for this was nominal, as we considered it part of our routine duties.” The FIU was happy with the transparency with which CAMS was giving the report and even took parallel reports from CAMS, in addition to that submitted by AMCs, which was again generated by CAMS. The company platform was therefore far ahead of the curve in many of these compliance standards.

This was to become starkly evident when SEBI began toying with and later implemented the concept of KRAs – KYC Registration Agencies - a category of registrars created by SEBI to collect KYC data. Several international agencies made presentations to AMCs offering AML /KYC solutions. They promised to provide global data and the platform they offered cost capex of several crores and additionally annual maintenance fee as well to AMCs. Prasad recalls several players making presentations to FIU–IND for getting in to AML/KYC space.

As the investors became increasingly tech savvy, a whole host of services was brought into play by CAMS. In its endeavour to give superior customer experience, CAMS launched CAS - Consolidated Active Statements of all mutual fund investments of an investor that were serviced by CAMS. The first of these rolled out in 2008. Five funds were part of the statement. Then the number of funds grew to 14 and then on to 16. CAMS issued a consolidated statement for its investors every week. When SEBI noticed this service feature from

CAMS, it asked if RTAs could issue consolidated statements across the mutual fund industry. The consolidated statements are usually useful for large investors who want to know the health of their mutual fund portfolio as a whole. This required interaction across RTAs. Today, an industry-wide CAS, generated for investments spanning funds handled by CAMS, Karvy, Franklin Templeton Asset Management India Limited (FTAMIL) and Sundaram BNP Paribas Fund Services Limited (SBFS) is available at the click of a mouse. Now, if a customer places a request for a consolidated statement on CAMS Online, he gets a report of his assets under investment and their valuation (the growth of each individual fund over a period of time and also growth of the investment for a period) as on date within 30 minutes. The consolidated statement has been extended to the securities market as well by SEBI. This statement is called a multi-RTA statement as it is fetched from all the RTAs in which the investor has accounts. CAMS was the first to launch this investor-led initiative in the industry.

Over the years, the CAS has undergone several stylistic variations as well. Today, as the CAMS website puts it, this is "no longer a dull pdf. Customers can view charts, request services and update account information, all via the statement itself." When CAMS diversified into the insurance business as we shall see in a subsequent chapter, it began taking steps to integrate those details into its CAS as well. This, now available across funds serviced by CAMS and the insurance portfolio handled by CAMS Rep, a group company, helps investors keep track of their investments and insurance policies at one go.

Over a period of time, 'mailback' services had also been brought into play. Customers whose email IDs are registered with CAMS can request for statements at any time and this is sent at once – such being the robustness of the system.

Some of these initiatives were CAMS-driven, while others came due to market demands. But even by 2008, when not all of these services were in place, it became clear that CAMS as a company believed in being at the cutting edge of technology when it came to dealing with the investing public. This image was to stand it in good stead, when together with an economic downturn, the very role of RTAs came to be under threat early in 2009.

Chapter 15

Speaking up for RTAs

The good times for the mutual fund industry had begun in 2006. This was chiefly on the basis of buoyant capital market conditions. The economy was growing at nine percent – a dream run that has since not been surpassed. Private corporate investments, financed by rising domestic savings, and topped by unprecedented inflows of foreign capital, all contributed to this. Some of the exponential growth was also due to an exceptional boom phase in world economy. The net result was that by 2008 mutual funds accounted for 11.9 per cent of the GDP in India, the industry mopping up Rs 1,700 billion in that one year alone. At CAMS this was reflected in what Srinivasan wistfully recalls to have been the best period of the company – more and more mutual funds engaging it as the RTA, thereby making it the market leader. By then, the entire RTA industry had become a duopoly of sorts, with the bulk of the market share (over 60 per cent) being taken up by CAMS, much of the remaining being with Karvy.

The boom time coincided with a change in ownership pattern at CAMS. Excited by the way the financial sector in India was growing, the US-based private equity firm Advent International acquired a minority stake in CAMS by buying up a part of the existing equity in the company and also through the issue of new shares. This was Advent's first investment in India and as for CAMS, the company had plans to utilise the funds for expanding its business within the country and abroad. That year, the CAMS deal made the news even though it was but a small portion of the overall foreign investment in the financial sector in India, which stood at USD 2,418 million.

But a grave worldwide crisis was already taking place. The sub-prime market in the US collapsed, triggering a recession that was considered the worst since the Great Depression of the 1930s. A large decline in housing prices led to mortgage delinquencies and foreclosures, causing a devaluation of housing related securities. US households saw an increase of debt to disposable income rising to 127 per cent. Much of it was based on mortgage valuations and a fall in prices caused bankruptcies. Many well-known names such as Lehman Brothers declared insolvency and with the closure of large investment banks there was rising unemployment and public debt. India was relatively unaffected as owing to stricter regulations, investing in sub-primes here was not an option. But the crisis did have an enormous impact on the financial sector – foreign portfolio investment 'fled for the safety of the dollar'. Mutual funds began experiencing enormous redemption pressures from corporates. While it was true that almost all of them offered immediate redemption, their assets were not so liquid. There was considerable mismatch between the maturity periods of the assets and liabilities of most funds. With banks offering higher interest rates, there was a quick shift to deposits as opposed to mutual funds as well.

The consequences were mind-boggling to say the least. Between April and September 2008, net mobilisation by mutual funds dropped, down 97 per cent to a measly Rs 24.8 billion. Given this fall, it was but a question of time before attention shifted to cost cutting within the industry. Marketing, administration and distribution expenses began coming under the scanner. For the RTAs, a bigger worry was the fall in AUM of the AMCs. The value shrank by 21 per cent overall even as the liquid and debt schemes fell by as much as 65 per cent. With the income of the RTAs being directly linked to the AUM, such steep falls in the latter meant a direct impact on the bottom line.

This period of mayhem in the markets coincided with an intense scrutiny by SEBI of the expenses incurred by mutual funds. A detailed study was undertaken into the way the industry functioned and its costs both indirect and direct, were analysed threadbare. Conventionally, indirect costs comprised initial issue expenses and annual recurring costs. The former included sales and distribution fees (marketing, advertising, registration, printing and bank charges) pertaining to New Fund Offers (NFOs) and the latter, management and advisory fees (charged by the AMC), RTA fees and continuous marketing and selling costs. The indirect costs were accounted for in the computation of the NAV. Direct costs were charged to the investors over and above the NAV and these included the entry and exit loads, apart from the taxes on security transactions and income. The former two terms refer to costs incurred by the investor when they invest (enter) a scheme and when they leave (exit) it. Beginning with 2008, SEBI set stringent limits to the expenses that could be charged to investors. These were no doubt done with good intentions, for studies had revealed that though India had a robust mutual fund industry, in terms of overall investment percentage this was still a small value in terms of what the market was capable of. It was felt within SEBI that if the costs of entry and exit were lowered, more and more investors could be encouraged to participate in mutual fund schemes. The regulator also felt that it needed to bring in greater transparency in the way the mutual fund industry functioned and accounted for expenses.

Unfortunately, each of these regulations engendered a sharp reaction from the industry, for these affected the very existence of key stakeholders in the business. The most vociferous protests were against the decision of SEBI in 2009 to ban all entry loads. Conventionally, the bulk of the amount collected by way of entry load was paid as commissions to distributors and agents, all of whom played a crucial role in advising investors on the merits of various schemes. With entry loads removed, it was now left to the investor to decide what percentage his/her distributor warranted, by way of the services rendered. The exit load too was fixed at one per cent of the redemption proceeds and from this, the mutual fund was expected to pay the distributor a commission and also take care of other marketing and selling expenses. With their income, thus far, a fixed and secure percentage, now thrown open to negotiation, the distributors felt threatened. The mutual funds industry too was not happy with this decision. Several meetings were organised by AMFI with SEBI to discuss the issue but the regulatory authority proved intractable. It was in vain that arguments were presented on international practice – in the US for instance, funds were given the freedom to choose if a scheme was to be entry load, exit load or zero load-based.

The impact on the industry was almost instantaneous. Overnight, distributors began advising investors on alternate products for their money. The number of distributors fell from over a 100,000 to 40,000. A net outflow of Rs 18,044 crores took place over the next two years, by way of redemptions. The number of NFOs began to dwindle. If in

2009 a total of 33 NFOs mopped up Rs 7,284 crores, the number in 2010 stood at ten with a total of Rs 3,000 crores invested in them.

At CAMS all this meant the onset of tough times but the company rose to meet the challenges creatively. Believing as it did that it was an integral part of the industry, it began to see how it could help the key stakeholders – the mutual funds, the agents and the investors - cut costs, and increase their income through better efficiencies and an expanded market.

One of the early initiatives was the set of reports that Kamala described earlier in this book. “We began a business intelligence service based on industry sales data,” says Venkataraman. “There was no industry intelligence available. We proposed this to our customers and they liked it. We provide information to each client on their market share in each town and across various fund categories. We later approached competitors’ clients as well.

What we offered was not just raw data. We were putting our experience in the industry into it to create value in the information. Both our clients and those of competitors saw the logic of this argument and today I am happy to state that most AMCs use our business intelligence services. We are thus more than an RTA service provider.”

CAMS also led the effort in building bridges across RTAs when it felt that the mutual funds could benefit from this. Thus CAMS and Karvy joined hands to launch FinNet, the online web-based platform for distributors referred to earlier. This helped them buy and sell funds on their client’s behalf and also generate consolidated account statements across fund houses served by these two RTAs. Investors could also get consolidated account statements across fund houses serviced by CAMS, Karvy and Franklin Templeton, on the websites of both CAMS and Karvy. FinNet enabled distributors to submit application forms online (after making a scanned copy of it through a scanner installed in the agent's office); the agent no longer had to physically reach the RTA's office by 3 pm, which had been the traditional cut off time. This effort met with enthusiastic response. When launched in January 2010, it saw 1,900 distributors signing up and within the year the number had doubled.

The company website began offering greater services by becoming more interactive. Thus for instance, an agent could get a report of sales done between any two given dates. All that the distributor needed to do was enter in the user ID and password provided and the report was made available. The CAMS site began offering informative articles as well. The CAMS Viveka blog is a popular one accessed by several investors.

Early in 2011, an article in *LiveMint* looked at the way RTAs were helping clients cut their expenses. A CAMS official was quoted on the steps the company was taking –

"There is focus on electronic communication, be it account statements, newsletters or other communication from the AMC to investors and distributors. Electronic payouts are also encouraged to reduce costs and ensure better efficiency. Benefits of the reduced costs have been passed on to the investor."

In the same interview, the official also revealed that the company had been investing Rs. 30 to 35 crores each year over the past five years in improving its technical infrastructure. One of the chief benefits was the way communications had begun to be sent out in cheaper inland letters rather than expensive A4 sheets. This turned out to be significant saving when you consider the numbers – in 2009 the company was printing 15,000 statements a month; this in 2011 had risen to 200,000. This also reflected in a way, on a changing investor profile. More and more of these were email savvy and were comfortable receiving electronic statements. By 2011, this was the norm, with those wanting physical statements having to specify that option.

The plethora of online and electronic activities did not mean that CAMS lost sight of ground realities. It was also in 2008 that CAMS launched its Money Mantra programmes. These are free training sessions conducted regularly in several towns and cities across the country, where highly respected faculty with significant experience in the financial services industry, share their knowledge with the participants. Money Mantra aims to make people aware of the avenues of investment such as Mutual Funds, among others, and the resultant benefits. The subjects covered include why invest, where to invest, why invest in mutual funds, power of compounding and some pitfalls to avoid. It also attempts to answer some standard questions and dispel common misconceptions about investing. To ensure that more people benefit from the programme, Money Mantra events are conveniently conducted in Hindi, English and several regional languages.

Given all these efforts, CAMS found itself a vital link between the mutual funds, the agents and the investors. This indispensability was to stand the company in good stead when in 2009, SEBI threw open investment in mutual funds via stock exchanges, all of which had become fully electronic by then. In a way, this was following the same route that share transactions had once taken – when the paper shares became dematerialised, the importance of the registrar and transfer agent diminished, all correspondence now being with the depository that held the dematerialised shares. If SEBI had had its way with mutual funds, RTAs would have become less relevant over a period of time. Had the investors shifted en masse to the stock exchange platform, their interaction with the RTA would have reduced drastically.

For instance, if they wished to invest in a mutual fund, all they needed to do was call up the broker and place an order. The broker would place the order on the stock exchange, which, in turn, would alert—and transfer money to—the RTA. The latter would then credit the broker's pool account with the requisite number of units which would then be transferred to the investor's demat account in demat form.

Luckily for CAMS and other RTAs, the initiative met with lukewarm response. "This was a stressful period for us," says Shankar. "We had to represent our case via AMFI to SEBI. Being the market leaders, we had the most to lose if our services were to be dispensed with. The onus therefore fell on us to defend the entire industry. Fortunately for us, we had been a part of mutual fund transactions from the day they were permitted in India. And unlike the stock market where the demat format and the depository had done away with a major nuisance of paper shares and lack of transparency, there was no real benefit that would accrue by doing away with RTAs in the mutual fund industry. Given the extent of services we offered to the distributors and investors, they too did not feel confident in transacting with the depository services such as NSDL or CDSL. Ultimately, our efforts bore fruit. A committee appointed by SEBI investigated the way an RTA offers services and found much merit in us. The decision to make transacting of mutual funds compulsorily via stock markets was waived."

Chapter 16

Diversifying into Allied Areas

The onerous responsibility of having to convince SEBI about the need for the RTA industry to continue to exist, made CAMS realise that it was overly dependent on one domain – mutual funds. " We were doing very well and we continue to be number one in the mutual fund space but we did realise that we had to diversify," says Prasad. "We therefore began looking around for other opportunities. Having decided that the B(anking), F(inancial) S(ervices) and I(nsurance) space was our area of expertise, we opted for the last-named as a suitable domain for diversification. This has similar requirements – a network of offices, applications forms and processing."

The privatisation of the insurance sector had in the meanwhile gone ahead. Life insurance had been a Government preserve since 1956 and general insurance since 1972. Beginning with 1992, there was talk of giving up this monopoly. The chief opponents were the powerful unions of the two state-owned insurance behemoths – LIC and GIC. There were other naysayers as well – those who predicted a rapid rise in premiums if the private sector was allowed to come in and others who feared that the rural population and the poor would not be served by the new players. Both of these were specious arguments, for premiums had fallen the world over with competition and as for spreading insurance to the hinterland, India remained one of the most under-insured countries of the world after several decades of nationalised insurance. The proponents for privatisation were advancing the above arguments and claimed that relaxing of Government control would only increase the reach of insurance and therefore bring in forced saving and finally more funds for infrastructure building.

Prospects were bright once again when both Houses of Parliament passed the Insurance Regulatory and Development Act (IRDA) in December 1999. The Act set up the Insurance Regulatory and Development Authority as a statutory body to regulate the industry. The Act also allowed foreign direct investment (FDI) in insurance up to a limit of 26 per cent. Though this was less than the 51 per cent that most international players hoped for, it did encourage them to come to India and set up joint ventures with local partners. By 2009, this had become a thriving industry though the Government players still controlled a huge market share. When CAMS began looking at possibilities, it realised that it would need to first target the private players even though these would result in small pickings. Here too, the well-established business practices proved a deterrent. Prasad explains the scenario.

"The big difference was that in mutual funds we got into the space when the private sector was just entering it. When someone is just starting and you go and tell them that you will take care of their processing and documentation, you are very well-received. In insurance, we began from the other end. That is a well-established business with each company having an army to process its back office. It took time therefore for us to make headway. It was not a question of pure economics and we needed senior management to buy in. Many insurance people believed that having their own office and staff added value. We had to battle set beliefs. But they were also coming under cost pressure. They had to close some offices and downsize.

Our strategy is that whatever insurance companies can outsource and whatever can be done across companies should be our area of service. The insurance firms benefit from economies of scale, we get conditional revenue. At this stage, we do not process claims. But we aim to do that soon. It is a time consuming effort to get into insurance and today in terms of our turnover, it would account for 10 per cent of our total business."Even now there are some services that only the insurance companies can provide such as verification, health checks, etc.

The foray into insurance happened in 2009 and within a year it became clear that it was best assigned to a subsidiary in order to comply with the IRDA stipulations. CAMS Repository Services (CAMSRep) was set up for this and SV Ramanan, who had worked extensively in the industry, joined as its CEO.

With many mutual funds also getting into the insurance business, CAMSRep found that it made sense to tap its parent's portfolio. The company's first client was Birla Sun Life Insurance. The company did not open exclusive centres but used the existing CAMS offices for insurance business as well. Personnel at the front office were trained to handle insurance applications also.

The business strategy of CAMSRep too has been remarkably similar to what CAMS did with mutual funds. The company first reduced the turnaround time to generate a policy document after the application was received and the process of validating the applicant.

Birla Sun Life usually took eight to ten days to issue a policy to the applicant after he or she submitted the application. The physical application was sent to the Mumbai Central Processing Unit and data entry was done there after which a policy document was generated. CAMSRep offered to complete the whole process in 24 to 48 hours. Using its image processing workflow system employed for mutual funds, CAMSRep scanned the applications into the process queue for data capture at Chennai at the end of each working day. The data entry was done the subsequent day. A software system was developed at Acsys for handling insurance. After CAMS perfected the model, it has now become the industry norm.

The next step was to automate policy approval based on what Ramanan refers to as rule engines. An underwriter validates the applicant before the insurer issues a policy in the traditional insurer process. This is a risky undertaking because unscrupulous elements have been known to take advantage of faulty validations to make bogus claims. At CAMSRep, while applications were data captured, rule engines were also incorporated into the process to validate the applicant for issuing a policy. For example, the age of the applicant and his income are necessary to corroborate the value of sum assured. In case the applicant was over the age of 40, some medical parameters such as blood sugar were needed to understand that the applicant was in good health. The prescribed cut-off values are fed into the system and the applicant's medical test readings are compared with the baseline values automatically.

"There are two parts to the validation process – knowledge and judgement," says Ramanan. What CAMS has effectively done is to segregate the knowledge and judgement from each other. The knowledge part is automated -validating the applicant's values with baseline values and checking the appropriateness of sum assured against the age and income of the applicant, whereas the judgement part is still left to the underwriter. Through this process, 80 per cent of the applications were validated by CAMSRep's system whereas the rest still went to the underwriter for his input. "These two processes defined by CAMS have become the game changer and an industry norm," says Ramanan.

CAMSRep offers a host of other services. The whole process of agent/insurance advisor training is managed by it. Once the insurer identifies the agents for training, CAMSRep allocates them to different training centres already validated by the insurer. The company keeps a tab on progress of the training, noting whether the agent takes up all the online courses and sits for the online tests. If some agent drops out, he is contacted by phone and the importance of finishing the training is impressed upon him. There is also a toll-free number for trainee agents to contact CAMSRep for any assistance. Once the agent completes training and successfully clears the examination, he is issued a welcome letter and identity card on behalf of the insurer by CAMSRep.

The company also launched a major initiative of becoming a repository for insurance data and documentation so that these could be preserved electronically. With this, the company has proved that it is equal to the established depository services and this is proven by the fact that the IRDA has issued licences only to five companies to act as insurance repositories of which CAMSRep is also one. The task of getting the documents digitised is however a mammoth one.

"India has 37 crore policies issued as of now," says Ramanan. "Many of the insurance policies are in paper form. Although we are pushing for e-insurance, the conversion (from paper to e-form of the policy document) has been slow. To educate the customer, we undertake PR exercises such as customer meets and also publish articles in the press. I feel that the next generation would become comfortable with e-insurance policies as they are digital natives. The present generation is however grappling with new technologies and still wary of electronic transactions and documentation. After some pushing by us, about 1,50,000 policyholders have opted for opening e-insurance accounts, out of which 60,000 people have opted for e-insurance policies. Once the policyholder opts for e-insurance, the paper policy becomes invalid and all transactions related to the policy can be done electronically.

There are multiple benefits in e-insurance policies. The policyholder might lose the document in a natural calamity and to have it generated anew is a tedious process – you file an FIR and then validate details to have the duplicate policy document issued. This is completely eliminated when you have your insurance policy in the electronic form. Further, although 37 crore policies have been issued, the actual number of people under insurance cover is not known. Once IRDA makes e-insurance mandatory (as done in the case of stocks where demat became the only trading option after a cut-off date), the unique number of policyholders can be identified. A majority of the population remains outside of insurance coverage. More people are sought to be brought under insurance cover through the Prime Minister's Jan Dhan Yojana. All this will be made easier if we follow the process of digitisation to its logical end."

CAMSRep offers persistency services to insurers. Through this, the company undertakes to keep policies live. To achieve this, the company reminds the policyholder when premium is due and even offers to collect cheques from them. Once e-insurance becomes operative, electronic clearance can be set in motion, making the collection of premiums automatic. CAMSRep also does the payout in case of maturity of the policy for select insurers. With many private insurers coming up, CAMSRep has been able to put its vast network to good effect. For Tata-AIG, the company has enabled its 270 centres to receive applications on their behalf, thereby saving the client the cost of opening up branches on its own.

“We have about 20 to 21 per cent of the market share,” says Ramanan. Achieving this was however no cakewalk, for there is plenty of competition. “Considering the operations spend of an insurer, out-sourcing spend is less than 10 per cent,” he continues and there are plenty of contenders for it. Competition for CAMSRep comes from two sides. The first comprises call centre operations where IBM and Genpact have bigger establishments. Greater data speeds and a widening electronic network in India has meant that some insurers get applications scanned in their own offices and send them for data entry to a small-scale service provider. And then, there are the depository services such as NSDL and CDSL that also offer a similar set of benefits.

Despite all this, CAMSRep claims to have the maximum number of insurers with it, almost double of what each of its competitors handle. Initially, Ramanan had to do the hard sell to win mandates from insurers. Now that the company’s operations have become established, a team works on customer acquisition and retention, apart from looking at expanding the services offered to a particular customer. “It’s still a hard sell,” emphasises Ramanan.

CAMSRep’s dream is to achieve 100 per cent e-insurance policies and also redefine the insurance industry as CAMS has done in the case of mutual funds. This is beset with challenges as the insurance industry has had a long presence in India. And the saddled mindsets in favour of paper or in-house handling of operations need to change for real progress to happen. "But we will persist," says Ramanan. "CAMSRep's ambitious conversion programme (from paper to e-form) aims to enlist the elite agents (those equivalent to LIC's Chairman Club agents or Million Dollar Club members in other insurers) to get the policyholders educated on the benefits of e-insurance. There are 20,000 agents in India and even if 3,000 of them qualify to be in the upper bracket, they can at least reach out to 30,000 - 40,000 policyholders to convince them to convert to e-policies. Reaching all the 20,000 is next to impossible. But we are hopeful. The long journey has just begun."

The years that saw CAMS foray into insurance, were also when it underwent a major change in its shareholding pattern. Beginning with 2011, there were consistent rumours in the market that Advent was looking to exit the business by selling its stake in the company. The story even made it to the *Wall Street Journal*, a sign of how CAMS had risen in the world of finance. It was reported that NM Rothschild and Sons was mandated to look for a suitable buyer. At one time, the BSE was reported to be keen in acquiring a stake. The search for a suitor went on till December 2013 when it was finally announced that the National Stock Exchange (NSE), which had by then emerged as the largest bourse in India, would be the buyer. It was an ideal match, for with this, NSE could expand its footprint in the mutual fund business and also the distribution space. With the sale going through, CAMS came to be held by the NSE, the HDFC Group and Acsys Investments Pvt Limited, the last named being Shankar's company and therefore representing his stake.

The same period had also seen a change in the day-to-day management of CAMS. Sometime in early 2010 Shankar took a conscious decision to gradually withdraw from the operations, handing over to Prasad and Venkataraman. This was seen by many as the first step in the professionalising of the top echelons of the company in terms of directives and decisions. "As an observer I can say that the transition from Shankar to a professional management has been smooth and very interesting," states Ashok Suvarna. "The manner in which he began distancing himself and started encouraging Prasad to take front stage was very elegant. The long term impact of this is yet to be felt and the way it will pan out depends a lot on those at the helm."

Chapter 17

The Way Ahead

CAMS turned 25 in 2013 and as we recorded earlier, it was founder Shankar's desire that its story thus far be chronicled. "While it may be too early for the company to come out with its history, it was my personal view that given the fast pace at which the finance industry is evolving, much of what we did during the past years may be forgotten in the effort to keep ahead of industry and competition. I therefore decided that it is best that a record be kept," he says. There is no doubt that the record has been good thus far and the company and those who made it what it is deserve pats on the back. But this is a harsh world where change is the only constant. What of tomorrow and what is the role that the company can play to stay relevant and grow? It must also be remembered that over the same 25 years, technology has been invested in by competition too and with practices being standardised across the industry, there is little to distinguish one RTA from another. Has the mutual fund space become a commodity market where price will be the only relevant factor?

John Mathews of HDFC Mutual Fund disagrees most emphatically with that assessment. "It would be completely wrong to say that the industry is saturated. In fact there are predictions that it will be growing threefold in the next five years. To understand this, just see the growth trajectory of the past decades. Our parents had investments in schemes such as Unit 64, Indira Vikas Patra, Kisan Vikas Patra, Fixed Deposits and LIC policies. This basket expanded somewhat in the 1990s. It has really grown since 2000. The transition has been from fixed income to some variable fund elements. But all this is not enough. The new crop of investors is more aware but the literacy is still low. In developed nations such as the US, 60 per cent of the savings go into mutual funds. In India, while everyone who has disposable income does have some investment in mutual funds, the percentage is still very low. But the change is bound to come.

Are we ready for this? The next gen will be more tech savvy. The paper-based handling of business will vanish. How do we make things convenient and paperless for the end user? Today, there is a prevalent myth that it is difficult to open a mutual fund account. This has to be done away with. If an investor is in possession of rupees one lakh over a weekend, he/she must have the facility to invest it. When the market value goes up 400 points why should an investor call up an advisor? Should they not get it themselves? This has to be achieved. Similarly, how do we advertise our products? With the majority of customer footfalls happening at CAMS, the company becomes the best vehicle for taking our offerings to customers. It therefore becomes necessary for CAMS to take up these initiatives.

But what incremental value is going to come in from such ideation is a matter of question. It is a simple business – there is not too much you can do with just volume processing. However, I think CAMS is well positioned and competition has not yet caught up in this area."

Ashok Suvarna puts it somewhat differently – "How can CAMS be relevant in the long term? Moving from customisation to personalisation holds the key. It is now on a B2B model. It has to become a B2C company. More personalised products are the order of the day. It can only happen if the platform is far more enabled to create that for customers. CAMS has always been a partner and not a vendor to the mutual fund industry. It was one of the first to offer a non-fixed commercial fee model – they moved to AUM based fee – and thereby showed they were willing to sink or float with us. As the mutual fund industry sees its fee coming down, CAMS will have to rise to the challenge of providing the latest and the best when it comes to technology. It will have to always be a step ahead. It also has to move beyond the mutual fund industry into other avenues of the capital market industry. Today Birla Sun Life offers mutual funds, housing loans and insurance. CAMS is also now in the same areas. But it has to move faster to become a major service provider in the banking and insurance sectors. Today, there is after all talk of a common regulator for all these businesses. Imagine the company's strength if it were well established in each of them."

It would appear that the same sentiments prevail within CAMS as well. N K Prasad who recently addressed ASSOCHAM's 14th Mutual Fund Summit dwelt on all these issues in his speech. Beginning with the fact that there were 8 crore mutual fund accounts in India, and that the industry is a promising one, Prasad noted that there had been considerable wealth generation in the last decade, with instances of investors reaping more than fifty times their initial investment. These factors, he pointed out exhibited the opportunity that existed in the industry. At the same time the mutual fund industry in China was 25 per cent of the GDP while the figure for India was a lot less. In such a scenario he felt, a big opportunity still existed to be tapped by the industry but this was fraught with challenges. These were chiefly owing to lack of awareness on the part of several investors in whose lexicon mutual funds just did not exist. It was necessary that the industry devoted resources towards spreading awareness. Traditionally, mutual funds put aside two basis points of their Assets under Management towards investor awareness programmes, and this was not an insubstantial amount, but the ways in which this was deployed could, according to him, be more streamlined.

It is in this area according to Prasad, that RTAs could play an important role, by ensuring that technology was in place to mine investor data and also make mutual funds more accessible. With proper analytics, it was possible for the industry, he said, to get a larger share of investor wallet. The other key aspect he said was the role the distributors and advisors played in the industry. By bringing technology to end point devices, it was possible to more effectively use distribution channels like banks, post offices and business correspondents to widen the reach of mutual funds.

Anytime, anywhere investment is now the theme says Kamala. With connectivity making this possible, RTAs according to her, need to ensure that the actual process becomes simple and quick. The RTA that achieves this will be the winner and she feels that CAMS' leadership in this area is still unchallenged. "Every time a person has money to invest in mutual funds, he/she has to make a round of several mutual fund websites. To remove this pain point, CAMS launched Anytime, Anywhere Mutual Funds Access though the CAMS website to access multiple mutual funds through a single login. This was launched in September 2014 at a gala function."

Another innovative customer delight initiative was myCAMS, the mobile app that will create a customer interface through smart phones and tablets. "Launched a few months ago, it already has over

300,000 registered users who transact with it," says Kamala. "Meant for registered customers, it fetches data on the fly and tracks returns for each fund. You can invest, redeem, switch from one scheme to another and do all other transactions. We have a road map to add more exciting features."

CAMS has resorted to social media outreach to stay connected with young investors. Although the returns are not easily measurable, the CAMS Facebook page has 200,000 likes. "Today, the distribution network is playing the advisory role. Tomorrow, it might change with the Internet becoming a bigger source of information," says NR Sudarshan, General Manager at CAMS, who is leading this initiative among other responsibilities. "It is possible that users will pay to get the advice from multiple sources and invest. We have to be seen and heard by these prospective investors. We started building our social media properties. The objective is to teach the young audience that mutual funds returns far exceed the traditional banking products. To engage the users on Facebook, several activities are done. Instead of just talking about benefits of mutual funds, interesting discussions on select topics are encouraged. CAMS is also one of the few companies that believes in keeping its Wikipedia profile updated."

With increasing numbers of investors comes tighter vigilance and greater demand for compliance. The latest in this is being competent to handle FATCA – the Foreign Account Tax Compliance Act. Under a Multilateral Competent Authority Agreement that the Indian government has signed with the US government, the former is required to report all foreign tax eligible entities making investments in its financial products to the latter. The agreement was signed in 2015 but it took effect retrospectively from July 1, 2014. Effective

November 1, 2015, the investor has to give a self-declaration of being domiciled in India and has no tax-paying liability in the US. Prasad elaborates on this: "On the other hand, if you have an US address and pay taxes there, we will take the investment but inform the investor that his transaction will be reported under FATCA. Some AMCs are clear that foreign money shouldn't be taken in. And for those AMCs, no foreign investors are enrolled. From July 1, 2014 to October 31, 2014, for the accounts that have to become FATCA-compliant, we have informed the investors to come to our portal and update the information."

For legacy accounts (prior to July 1, 2014), self-declaration is resorted to. Prior to July 1, 2014, all accounts have a *de minimus* criterion (individual investment of 50,000 dollars and non-individual investment of 200,000 dollars). Prasad says, "For all those investors, we reach out to get them FATCA compliant, it's a one-time affair of giving a declaration. There are seven criteria to identify investors who need to be FATCA compliant. We intelligently look through our data to determine who needs to give information about their foreign income. This is our latest implementation."

This being a knowledge-based business, the employees are as much stakeholders as the investors and the AMCs. How do they view CAMS? Two young senior vice-presidents—Abhishek Mishra and Srikanth Tanikella—come from different backgrounds and for both of them this is their first foray into domestic financial space. Abhishek says he joined the company because he was impressed with CAMS' business ethics. Srikanth had inputs from senior executives in insurance before taking up the position and he too joined CAMS for its ethical practices. Both say they find their careers rewarding, not just by way of earning but also in terms of challenges and self-actualisation. Abhishek handles a host of verticals such as banking, electronic payments (primarily for recurring MF payments such as in a systematic investment plan), private equity and others. Srikanth handles a few MF accounts such as IDFC and Birla Sun Life. "This is not a routine job," says Srikanth, while Abhishek says CAMS has been able to provide continuous excitement in work.

Interestingly, these attributes of ethics, knowledge and excitement feature in a summation of CAMS given by V Balaraman, a respected personality in Indian corporate circles and who has been the Chairman of the company for over a decade now.

"The company had been extraordinarily ethical," says Balaraman. "The high level of corporate governance was natural to the personality of the founder. This manifested itself into traits of extraordinary discipline in delivering high quality, no shortcuts and taking strong stances when deviations were demanded. All this is backed by extraordinary knowledge of the industry - more than what many others in the field do. This is an industry where you need to be very sure and it requires character and courage to stand by what you feel is correct. Many in the organisation have absorbed this from Shankar. CAMS is a high quality business that the customer respects and so does society. It puts customers' interest ahead of itself and it uses technology to pleasantly surprise customers.

All these strengths attracted several suitors and HDFC was the ideal partner. In recent times, NSE has brought in great stability. This new union is a great success. Strength has married strength.

As for the future – the company looks at the globe for expansion. There are several countries where it can successfully enter and establish itself. However, it will need to be flexible, for the scenario though broadly the same, is not identical. Let's face it, we are a

Knowledge Process Outsourcing (KPO) company with a high degree of consulting knowledge about the customer's own business. We will need to find suitable prospects keeping this in mind. In the domestic market, the company will provide Business Process Outsourcing (BPO) facilities for the banking and insurance platforms. These are huge sectors with enormous scope for growth. And given that mutual funds too are here to stay and have ample potential for expansion, CAMS too has a bright future."

A visitor to the company today will see a lot of positive energy in its headquarters at Rayala Towers, Anna Salai. The atmosphere is young, with a lot of bright and energetic minds going about their work. There is a sense of purpose, combined with an awareness that the organisation has been a success thus far and needs to remain one in the future. A moment's reflection also shows you that CAMS is really somewhat out of place on Anna Salai. It is interesting that unlike many of the IT and new business ventures of today, the company chose this location, which is after all an old business district of Chennai. This is not the Rajiv Gandhi Expressway where all the tech behemoths have their swank offices. CAMS on the other hand is surrounded by old and established business houses of the city – the Amalgamations Group some of whose constituents are older than a century, the TVS Group, which around six decades ago gave automotive component manufacturing a fillip in the country, and the iconic LIC Building – nationalised in the 1970s but really a monument to the entrepreneurship and drive of M Ct Chidambaram Chettyar, the founder of United India Insurance. Compared to these venerable elders, CAMS is still young.

And then when you look around again, you reflect that Anna Salai is all about change. These very organisations that have survived did so by changing with the times. The same thoroughfare has several instances of others that did not – old hotels, cinema theatres, a pioneering typewriter manufacturing facility, and believe it or not, even horse stables. The reasons for their not being around are not far to seek. From all of these – those that exist and those that have exited, CAMS will need to take its lessons. And above all, it will need to continue to grow, seeking new horizons.

We began this story with Sudha and Shankar setting out with hopes in their hearts and plenty of aspirations. We have now reached a point in the CAMS' story when it is a nationally recognised giant, a leader in its field. What it will become in the future will depend on those who take it forward. This is after all a story still in the making.

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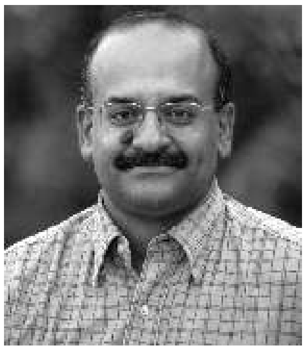

Sriram V established himself in the last 17 years as an engaging chronicler in two areas – Carnatic music and the history of Madras that is Chennai.

An entrepreneur by profession, he is a historian by passion and is well known for his writings, heritage tours and talks. Sriram is one among the team of catalysts that helps put together Madras Week each year in August to celebrate the founding of the city.

A columnist for *The Hindu* and the associate editor of *Madras Musings*, the fortnightly dedicated to the city's heritage, he is also the author of several books on personalities and institutions of the city.

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This is the story of CAMS, a start-up from Chennai, that made a name for itself in knowledge management. CAMS evolved from Swathi Enterprises, a company that was into software development. Starting life as a computer skills training company, CAMS moved into investor relations services for Reliance Industries. From there to becoming a registrar and transfer agent (RTA) for IPOs was but a step. However, as India emerged as a liberalised economy CAMS found a niche as an RTA for mutual funds. Today it is a market leader in its space, a partner to the mutual funds industry and a service provider of absolute reliability for the millions of investors across India. CAMS has attained this status through the vision of its founders, the dedication of its employees and the robustness of its technical backbone. It is a combination of all this that has ensured customer goodwill and investor trust. In a business where there is no room for error, dealing as it does with public money, CAMS owes its success to its eye for detail.

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