



IPO Report

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02nd Dec' 21

Snapshot

Anand Rathi Wealth Ltd is one of the leading non-bank wealth solutions firms in India and have been ranked amongst one of the three largest non-bank mutual fund distributors in India by gross commission earned in Fiscal 2019, 2020 and 2021.

VALUATION

Company is bringing the issue at price band of Rs 530-550 per share at p/e multiple of 19 on annualised 5 months ended Aug 2021 eps.

Company has focus on the underserved and less price sensitive HNI segment with uncomplicated, holistic and standardized solutions offered to clients based on an objective-driven approach. Also, company being one of the leading non-bank mutual fund distributor in India coupled with presence in Non-Convertible Market Linked Debentures has posted decent financial performance .

Hence we recommend “Subscribe” on issue .

Price Band (Rs./Share)	530-550
Opening date of the issue	02nd December 2021
Closing Date of the issue	06th December 2021
No of shares pre issue	41616227 Eq Shares
Issue size	Rs 660 Cr
Offer For Sale (No)	12000000 Eq Shares
Face Value (Rs/ share)	5
Bid Lot	27
Employee Reservation	2,50,000 Equity Shares
Employee Discount	Rs 25/Share

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 5875000 Eq Shares)
Non-Institutional	15% of the offer (Approx 1762500 Eq Shares)
Retail	35 % of the offer (Approx 4112500 Eq Shares)
Lead managers	Equirus Capital,BNP Paibas,IIFL Securities,Anand Rathi Advisors
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

Focus on the underserved and less price sensitive HNI segment

Company’s PW vertical focuses on the HNI segment with AuM potential of ₹ 50 - ₹ 500 million, who are seeking quality and value addition rather than low cost solutions. While the targeted AuM potential is above ₹ 50 million, company typically on-board clients with a relationship value of a minimum of ₹ 5 million. Through its uncomplicated, standardized and well researched approach, the client relationship value increases over a period of time.

One of the leading non-bank mutual fund distributor in India coupled with presence in Non-Convertible Market Linked Debentures

Company is amongst one of the three leading Mutual Fund Distributor (“MFD”) in India . Company distribute mutual fund schemes managed by leading Asset Management Companies (‘AMCs’) in India and receive commissions linked to the outstanding market value of financial assets procured by company.

Focused towards attracting and retaining talent through an entrepreneurial work culture

Company hire account managers, who are business management graduates / CAs by qualification. These AMs assist RMs in servicing clients. Each RM is usually assisted by one AM. As of August 31, 2021, compnsy had a total of 228 AMs. Company provide intensive training and guidance, to develop the skills of AMs which helps in their smooth transition to the role of an RM. Over the last 3 years and for the five months ended August 31, 2021, 58 AMs have successfully progressed into the role of RM.



COMPANY BACKGROUND

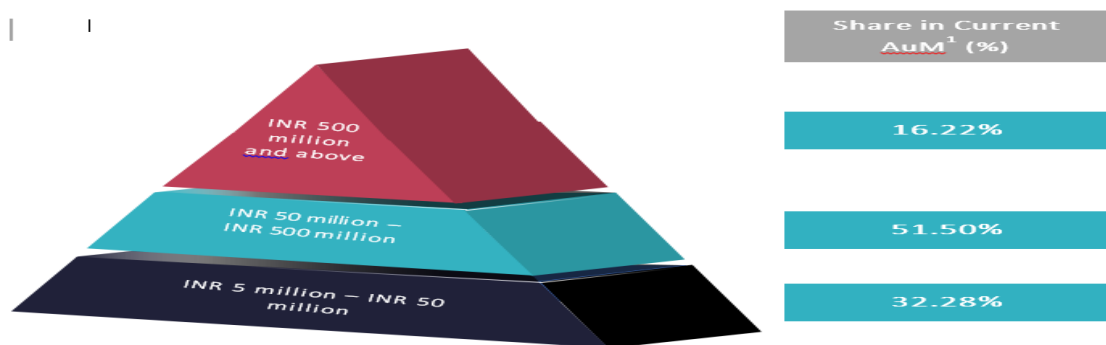
ARWL serve a wide spectrum of clients through a mix of wealth solutions, financial product distribution and technology solutions. Company provide services primarily through its flagship Private Wealth (“PW”) vertical where company manage ₹ 294.72 billion in AuM as on August 31, 2021. Company: (a) acts as a mutual fund distributor, registered with the Association of Mutual Funds in India. It distributes mutual fund schemes managed by asset management companies and earns distribution commissions on a trail basis from asset management companies; (b) purchases non-convertible market linked debentures (“MLDs”) and offers them to its clients and earns income from these sales. Therefore, the AUM of company comprises mutual fund schemes and other financial products such as bonds, MLDs and other securities held by clients in their own demat accounts. Further, company does not include demat holdings of the clients in the AUM unless the client has also used the distribution service of ARWL or have bought MLDs through ARWL. As per the industry practice, all such assets kept in the demat account of the clients belong to the respective clients and indicate the value of their assets. Such assets are shown as the AUM of company. All decisions regarding purchase and sale of mutual funds and other securities are taken by the clients. Company is not engaged in any portfolio management of its clients. Company’s Clients or active client families include client families/groups with at least ₹5 million in cumulative AuM. Each ‘client family’ or ‘Client’ may have one or more sub-accounts or family member accounts through which they invest.

As of August 31, 2021, PW vertical caters to 6,564 active client families, serviced by a team of 233 RMs (including 8 RMs working on contractual basis). As on August 31, 2021, 54.69% of company’s Clients have been associated with it for over 3 years, representing 73.55% of company’s total PW AuM, which shows company’s strength in vintage of both clients and their AuM in company’s business. Company is currently present across 11 cities in India, namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and company have a representative office in Dubai.

In addition to PW vertical, company have two other new age technology led business verticals, i.e., Digital Wealth (“DW”) and Omni Financial Advisors (“OFA”).

Company’s DW vertical is a fin-tech extension of company’s proposition and addresses the large mass affluent segment (i.e. group of individuals with financial assets between ₹ 1 million to ₹ 50 million) of the market with a wealth solution delivered through a ‘phygital channel’ i.e. a combination of human interface empowered with technology. Starting September, 2016, company’s DW vertical has seen encouraging results in its attempt to build a ‘Partner’ led distribution model. As of August 31, 2021, the AuM for company’s DW vertical was ₹ 7.38 billion with 3,491 clients and 195 client engagement partners. Company’s OFA vertical is another strategic extension for capturing the wealth management landscape through which company provide a technology platform for Independent Financial Advisors (“IFAs”) to service their clients and grow their business. Within a short period of over five years since its launch in September, 2016, it has become India’s leading technology platforms for IFAs in terms of subscribers with over 5,000 subscribers as of March 31, 2021

Source:RHP

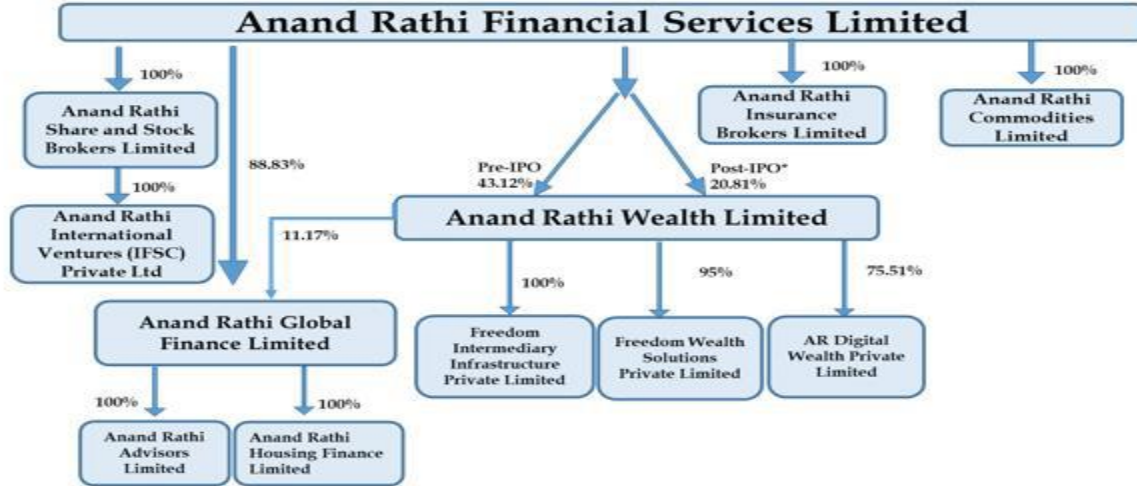




INVESTMENT RATIONALE	
Focus on the underserved and less price sensitive HNI segment	Company's PW vertical focuses on the HNI segment with AuM potential of ₹ 50 - ₹ 500 million, who are seeking quality and value addition rather than low cost solutions. While the targeted AuM potential is above ₹ 50 million, company typically on-board clients with a relationship value of a minimum of ₹ 5 million. Through its uncomplicated, standardized and well researched approach, the client relationship value increases over a period of time.
Uncomplicated, holistic and standardized solutions offered to clients based on an objective-driven approach	Company follows a process driven approach in providing wealth solutions and aims to achieve consistent client outcomes through a standardized investment strategy which augments the RM's ability to deliver company's service proposition. Company's model portfolio consists of an optimal combination of mutual funds and MLDs making it relatively simpler for clients to understand. This combination envisages liquidity along with limited risk to capital to company's clients in the medium term.
Focus on value added services i.e., safety net and estate planning services	Company believe in a holistic approach, and as part of managing wealth for its clients, company's proposition also includes estate planning, succession planning and creating wills as part of company's core objectives, without any cost to its Clients. It safeguards and enables smooth transmission of wealth, which brings effective long-term relationship with the Clients. For company, the estate planning services are critical and imperative, for which, company have in-house team of four qualified lawyers, who are providing services to its clients with succession and estate planning services across all locations.



CORPORATE STRUCTURE



*Calculated by taking up to 9,285,000 Equity shares in offer for sale as mentioned in DRHP

Note: ARIPTL, one of our group companies does not appear in the above chart, as 67.04% shareholding is held by our Individual Promoters and remaining by other promoter group.

Source : RHP

OBJECTS OF ISSUE

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the sale of up to 12,000,000 Equity Shares aggregating by the Selling Shareholders

RISKS

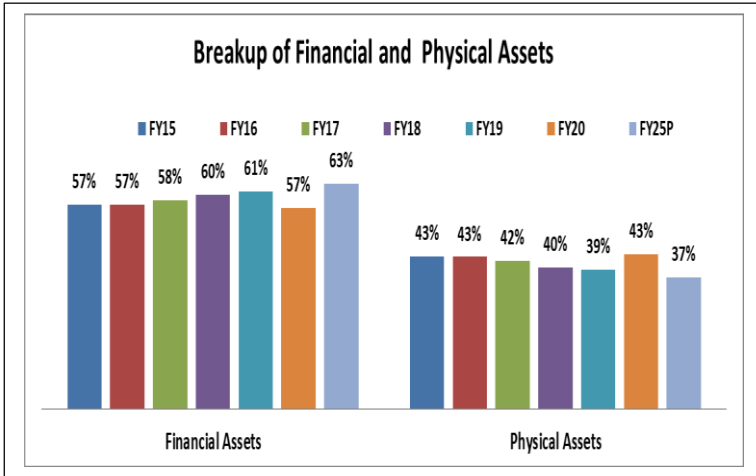
Company operate in a highly regulated environment, which is subject to change, and existing and new laws, regulations and government policies affecting the sectors in which company operate could adversely affect its business, financial condition and results of operations

Source:RHP

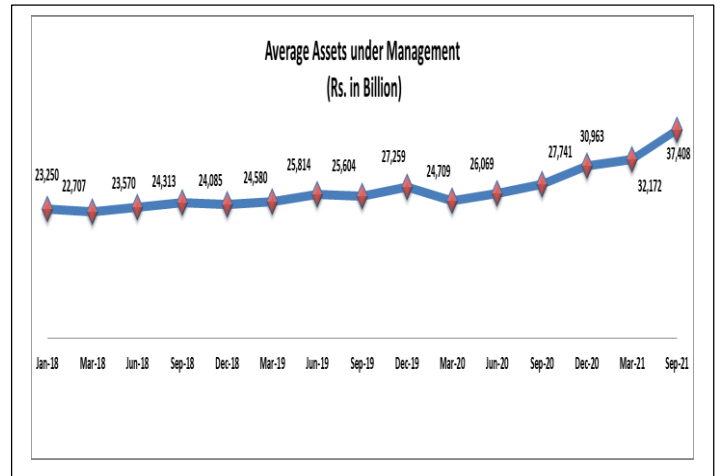


INDUSTRY OVERVIEW

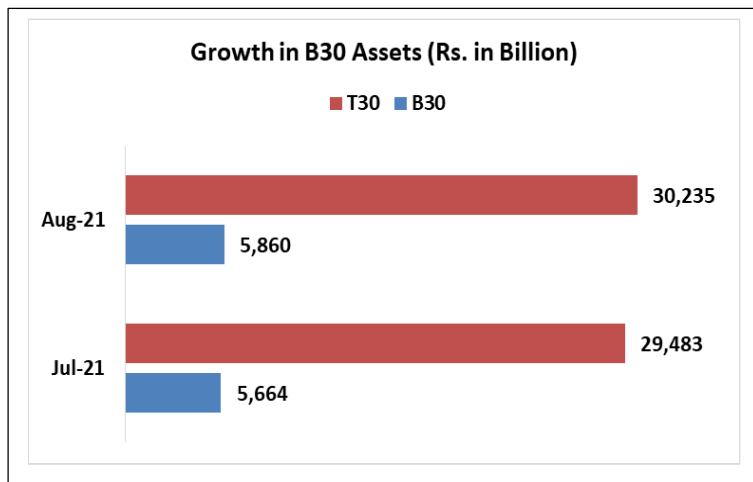
Breakup of Financial & Physical Assets



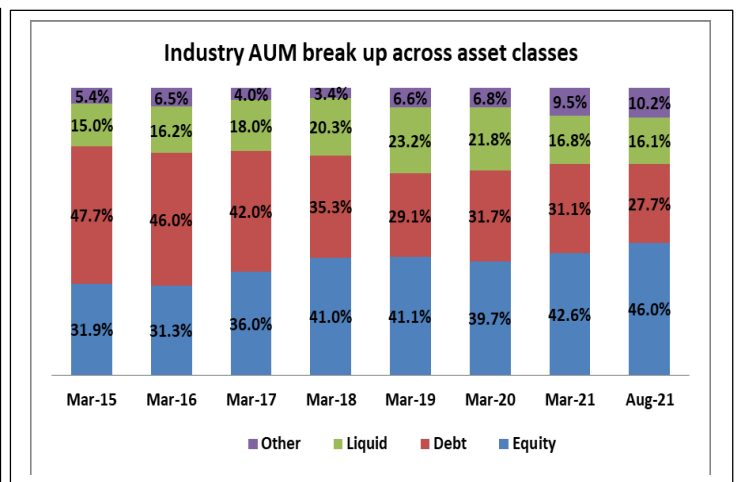
Penetration, Current Structure and Trend in Mutual Fund



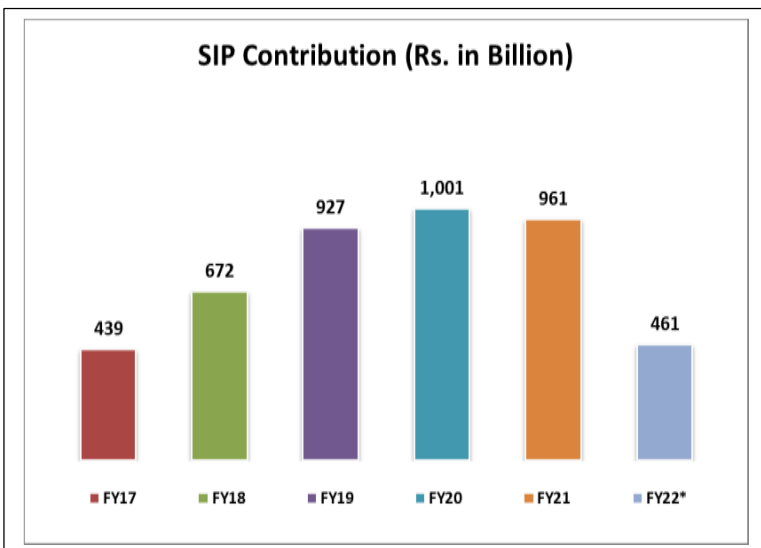
Growth in B30 Assets



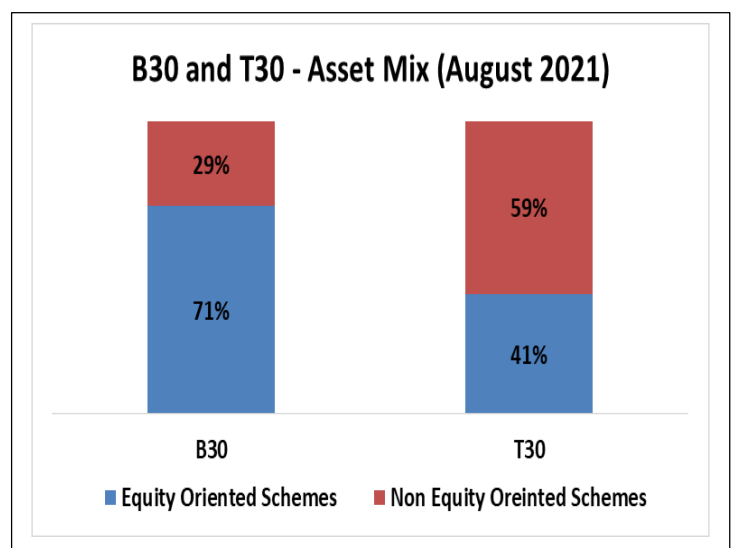
Increasing Share of Equity based Fund in Asset class over the years



SIP Contribution (Rs in Billion)



B30 & T30 –Asset Mix (August 2021)



Source: RHP



(Rs in Mn)

Financials	5 Months ended Aug 2021	FY21	FY20	FY19
Total Revenue (A)	1669.26	2653.30	3318.27	2765.87
Total Expenditure (B)	931.92	1954.66	2251.09	1787.09
EBIDTA	737.34	698.64	1067.18	978.78
EBIDTA Margin	44.17	26.33	32.16	35.39
Other Income	19.77	139.18	45.87	76.00
Depreciation	65.11	172.92	210.48	162.69
EBIT	692.00	664.90	902.57	892.09
Interest	8.59	29.06	32.96	61.10
PBT	683.41	635.84	869.61	830.99
Tax	172.53	184.90	253.47	246.66
PAT	510.88	450.94	616.14	584.33
NPM	30.61	17.00	18.57	21.13
ROE %	17.12	17.83	31.26	42.82
EPS	12.28	16.39	22.80	21.72
Eq Cap	208.08	137.57	135.14	134.54
Net Worth	2984.32	2529.05	1971.08	1364.74

PEERS ANALYSIS

Following is peer group analysis:

Particulars (FY21)	Sales (Rs Cr)	PAT (Rs Cr)	OPM %	ROE %	EV/EBIDTA (x)	P/E
IIFL Wealth	1562.94	369.19	55.47	12.88	16.60	28.42
Anand Rathi Wealth	265.33	45.09	26.33	17.83	---	---

Source: Ace Equity Database as on 30th Nov'21

Source: RHP



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