

Abans Holdings Ltd

- Abans group is a globally diversified organisation, founded by young entrepreneur - Mr. Abhishek Bansal, engaged in Financial Services, Gold Refining, Jewellery, Commodities Trading, Agricultural Trading and Warehousing, Software Development and Real Estate.
- Abans Holdings Ltd represents the financial services arm of the Abans Group. We operate a diversified global financial services business, headquartered in India, providing NBFC services, global institutional trading in equities, commodities and foreign exchange, private client stock broking, depository services, asset management services, investment advisory services and wealth management services to corporates, institutional and high net worth clients.
- Since the inception of the company, its grown from being a commodities trading company into a diversified multi-asset and multi-national financial services company having varied financial services businesses which are mainly organized as under:
 - Finance Business: lending to private traders and other small and medium businesses involved in the commodities trading market.
 - Agency Business: offering various institutional and noninstitutional trading services, wealth management and private client brokerage services, mainly in equity, commodities and foreign exchange.
 - Capital and other Business: includes internal treasury operations which manage excess capital funds. They do so by investing capital in what are believed to be low / medium risk strategies, maintaining positions in physical as well as exchange traded commodities and other instruments. Further they provide Warehousing Services to commodity market participants.
- The company is primarily a holding company and operates all its businesses through the eighteen (18) subsidiaries (including three (3) direct subsidiaries and fifteen (15) indirect / step-down subsidiaries).

Objects of the Issue

- Further Investment in the NBFC Subsidiary (Abans Finance Pvt. Ltd.) for financing the augmentation of its capital base to meet its future capital requirements.
- General Corporate Purposes.

Competitive Strengths:

- **Integrated Financial Services platform**
 - Besides being members of the BSE, NSE, MSEI, NCDEX, ICEX, MCX and IIEL in India, AHL has memberships across various global commodity and forex exchanges including London Metal Exchange (LME), Dubai Gold & Commodities Exchange (DGEX), Dalian Commodity Exchange (DCE) and Shanghai International Energy Exchange (INE). Further they have in-house NBFC business which provides lending support to clients. The integrated service platform allows AHL to leverage relationships across lines of businesses and their industry / product knowledge by providing multi-channel delivery systems to the client base, thereby increasing ability to cross-sell services.
- **Global exposure providing innovative financial products**
 - AHL's international exposure helps their customers diversify a portfolio, which in turn provides a balance between geographies. They offer clients with access to various commodity trading avenues through direct/ indirect memberships in London Metal Exchange (LME), Dubai Gold & Commodities Exchange (DGEX), Dalian Commodity Exchange (DCE) and Shanghai International Energy Exchange (INE). Also, they offer clients an advanced trading platform and FIX API connectivity that provides ultra-low latency. AHL specifically offer a Contract for Difference ("CFD") product to our institutional and HNI clients with a risk appetite.
- **Strong relationships with clients and market participants**
 - Dedicated focus on client coverage and ability to provide ongoing and innovative solutions in terms of diversity of investment avenues and global execution, enables AHL to establish long-term relationships with institutional and high net worth individual clients.
 - AHL has been in the business of commodities, equities and forex trading, domestic and global and has amassed an experience of more than a decade. Over the period they have grown a network of clients and traders not only in India, but also on a global scale, mainly in UK, Singapore, Mauritius, Hongkong and the Middle East.

AVOID

Issue Size	Rs. 3460 Mn
Fresh Issue	Rs. 1026 Mn
Offer for Sale	Rs. 2430 Mn
Issue Open Date	12th December, 2022
Issue Closing Date	15th December, 2022
Price Band	Rs. 256 - Rs. 270
Lot Size	55 shares per lot
Face Value	Rs. 2 per share
Post Issue Market Cap at Lower Price Band	Rs. 1284 cr
Post Issue Market Cap at higher price band	Rs. 1354 cr

Source: Company's RHP

Indicative IPO Process Timeline

PARTICULARS	DATE
Finalisation of basis of allotment	20 th December, 2022
Unblocking of ASBA Accounts	21 st December, 2022
Credit to demat accounts	22 nd December, 2022
Commencement of trading	23 rd December, 2022

Source: Company's RHP

Financial Highlight

PARTICULARS	FY22 (in Mn)	FY21 (in Mn)	FY20 (in Mn)
Revenue from Operations	11314	27718	43777
Profit after Tax	459	392.6	362.5
PAT Margin	13.6%	10.31%	6.90%
Adjusted EPS	9.07	7.53	7.62
Return on Net worth	7.48%	6.98%	9.56%
Total Assets	11686.9	11815.1	12129.8
Total Borrowings	859	2673.9	3187.9

Source: Company's RHP

Shareholding Pattern

PARTICULARS	PRE-ISSUE	POST-ISSUE
Promoters	97.42%	72.09%
Public	2.58%	27.91%
TOTAL	100%	100%

Source: Company's RHP

● **Standardized operating procedures and efficient use of technology**

- AHL's IT infrastructure and effective use of technology has enabled us to develop an effective risk control framework for our global business transactions and also improve employee productivity and operating efficiencies. We are able to offer our clients with unique financial access to a large number of financial products strategies and investments by having a robust IT infrastructure which provides us updates on global equity, commodity and other financial products' movements.

Particulars	Finance Businesses	Agency Business	Capital Business		Others	Total gross operating income from Key Businesses
	Interest Income	Income from fees, Brokerage and other financial services	Gross Profit from International Treasury Operations	Investment and Dividend Income	Warehouse and other operating income	
FY 21-22	316.7	171	643	63.7	1.9	1,196
FY 20-21	584	211	711	38	2	1,546
FY 19-20	482	156	603	113	3	1,356

In Rs. Mn

Industry Highlights:

- India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. However, financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.
- The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.
- As of July 2022, AUM managed by the mutual fund industry stood at Rs 37.75 trillion, and the total number of accounts stood at 135.6 million.
- Inflow in India's mutual fund schemes via systematic investment plans (SIP) stood at Rs 48,565 crore. Equity mutual funds registered a net inflow of Rs 22.16 trillion by December 2021.
- The banking and NBFC sector is once again at an inflection point, given the potential transformational, operational, and stakeholder changes influenced by the above-mentioned drivers.
- The consolidated balance sheet of the NBFC sector exhibited double-digit growth in the quarter ending December 2021. The gap between the spreads of AAA/AA- rated NBFC bonds began to reduce from January 2021 onwards and reached pre-covid levels in December 2021, indicating growing market confidence in the sector.

Key Concerns:

- Abans Commodities (I) Private Limited, one of the subsidiaries, is involved in a proceeding before SEBI regarding allegations of participation/facilitation by it of pair-contracts as a trading member/clearing member.
- Failure to obtain, retain and renew certain approvals and licences in timely manner or comply with rules and regulations. Subject to extensive statutory and regulatory requirements and supervision, which have material influence on, and consequence.
- Dependent on a few sets of market participants or counter parties w.r.t the physical commodities trading activities which supports online exchange-based trading operations.
- Any downward revision in its credit ratings could adversely affect their ability to service debts as well as raise funds.
- Vulnerable to the volatility in interest rates and may face interest rate and maturity mismatches between assets and liabilities in the future which may cause liquidity issues

Competitive Landscape:

Particulars (In Million)	Abans Holdings Limited	Edelweiss Financials	Geojit Financial	Choice International
NAV Per Share	121.30	73.83	24.14	29.06
Adjusted EPS	9.91	2.97	4.78	0.70
RONW	7.48%	3.45%	17.79%	2.42%
P/E	27.24 (approx)	29.37	15.99	207.14

Source: Company's RHP

Recommendation:

- Abans does not have any listed peers with similar verticals as it's a diversified business.
- The IPO is priced at a P/E of 27 which we feel is an aggressive valuation so our recommendation on the IPO would be "AVOID"

Balance Sheet

Particulars	FY20 (in Mn)	FY21 (in Mn)	FY22 (in Mn)
Equity share capital	30.8	92.6	92.6
Other equity	4964.5	5526.7	6218.3
Non-Controlling interests	904.7	981.3	1045.2
Loans and borrowings	1606.6	1987.0	344.3
lease liabilities	5.2	1.5	1.4
Provisions	25.9	26.7	18.4
Deferred Tax Liabilities (Net)	142.5	30.3	27.2
Current Borrowings	1581.3	686.8	514.6
Trade payable	2174.2	536.3	1075
Other Financial Liabilities	615.4	1874.3	2325
Provisions (current)	4.6	2.7	1.8
Current tax Liabilities	12.3	12.7	2.6
Other current liabilities	50.6	55.6	4.4
Total liabilities	11686.9	11815.1	10,311.83
Property, plant and equipment	144.6	138.5	133.3
Intangible Assets	10.7	7.2	5.8
Right of use Assets	1.5	1.3	1.1
Goodwill	55.5	56.7	56.7
Investments	74.56	581.4	472.2
Loans	50.48	44.49	47.08
Other Non-current financial assets	12.4	14.8	31.6
Other non-current assets	1	0.4	0.4
Inventories	288.3	232.1	601.6
Trade receivables	4334.8	3427.3	2979.2
Cash	773.6	1533.4	690.2
Other Bank Balance	169.21	552.2	69.2
Other current financial assets	51.5	109.4	162.6
Derivative Financial instruments	521.3	57.5	-
Investments	2.3	16.3	90.6
Short term Loans and advances	5322	5050.8	5162.8
Other Current Assets	68.2	35.2	60.2
Total assets	11686.9	11815.1	10,311.83

Source: Company's RHP

Cholamandalam Securities Limited

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