

## Anand Rathi Wealth Limited

Anand rathi Wealth Ltd. (ARWL) 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. The company was incorporated on March 22, 1995 & today serve a wide spectrum of clients through a mix of wealth solutions, financial product distribution and technology solutions. The company acts as a mutual fund distributor, (registered with the Association of Mutual Funds in India) and also purchases non-convertible market linked debentures ("MLDs") and offers them to its clients and earn income from sales.

**Positives:** (a) Focus on the underserved HNI segment of great market potential. (b) Standardized solutions offered to clients based on an objective-driven approach. (c) One of the top three leading mutual fund distributors in India. (d) Focus on value-added services.

**Investment concerns:** (a) Reduce distribution commission income through regulatory change. (b) Non-compliance with regulatory guidelines. (c) Any kind of reputational loss. (d) Continuing impact of the COVID-19.

**Outlook & Valuation:** ARWL had reported de-growth in revenue by 20.0% YoY in FY2021 due to the Covid 19 pandemic while net profits contracted by 26.8% YoY. However asset under management witnessed strong growth of 45.5% YoY to ₹26,669 crore led by the private wealth vertical. Moreover AUM has further registered a growth of 13.3% to ₹30,209 crore as of 31st Aug'21. AUM growth has been driven by high yielding equity and MLD assets which have led to strong performance by the company in the first five months of FY2022. For the first five months of FY2022 ARWL has reported revenues of ₹166.9 crore while net profits at ₹51.1 crore has already surpassed FY2021 PAT of ₹45.1 crore. At the higher end of the price band ARWL will be trading at P/E multiple of 18.7x its annualized EPS for 5MFY2022 which we believe is reasonable given higher proportion of equity and MLD assets. Given reasonable valuations and strong growth prospects due to buoyant capital market, we would recommend **SUBSCRIBE** to the IPO.

### Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
<b>Net Sales</b>	276.6	331.8	265.3	166.9
% chg	-	20.0	-20.0	-
<b>Net Profit</b>	58.2	60.5	45.4	51.2
% chg	-	4.0	-25.0	-
EBITDA (%)	35.4	32.2	26.3	44.2
<b>EPS (Rs)</b>	14.0	14.8	10.8	-
P/E (x)	39.2	37.1	50.8	-
P/BV (x)	18.5	12.3	9.5	-
ROE (%)	42.8	31.3	17.8	-
ROCE (%)	50.7	33.3	17.9	-
EV/Sales	8.2	7.1	8.5	-

Source: Company, Angel Research; Note: Valuation ratios at upper price band; \*Consolidated

## SUBSCRIBE

Issue Open: Dec 02, 2021

Issue Close: Dec 06, 2021

### Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹20.8 cr

Offer for Sale: ₹660 cr

Fresh issue: --

Post Eq. Paid up Capital: ₹20.8cr

Issue size (amount): ₹660 cr

Price Band: ₹530-550

Lot Size: 27 shares and in multiple thereafter

Post-issue mkt. cap: \* ₹2,206 cr - \*\* ₹2,289 cr

Promoters holding Pre-Issue: 74.7%

Promoters holding Post-Issue: 48.8%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	48.8%
Others	51.2%

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## Company background

Anand Rathi Wealth Limited (“ARWL”) is a Mumbai-based company incorporated on March 22, 1995. It commenced activities in Fiscal 2002 as an AMFI registered mutual fund distributor and have evolved into providing, well researched solutions to its’ Clients by facilitating investments in financial instruments through an objective driven process.

As of August 31, 2021, PW (Private Wealth) vertical caters to 6,564 active client families, serviced by a team of 233 RMs. Company is currently present across 11 cities in India, namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and have a representative office in Dubai. The company’s Promoters are Anand Rathi, Pradeep Gupta and Anand Rathi Financial Services Limited.

## Issue details

The IPO is made up of offer for sale of ₹660 Cr by promoter & investor shareholders.

### Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	31,102,025	74.7	20,317,042	48.8
Public	10,514,202	25.3	21,299,185	51.2
<b>Total</b>	<b>41,616,227</b>	<b>100.0</b>	<b>41,616,227</b>	<b>100.0</b>

Source: Company, Angel Research & RHP.

## Objectives of the Offer

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

## Key Management Personnel

**Anand Rathi** is the Promoter, Chairman and Non-Executive Director of the company. He has been associated with the company since March 18, 2005. Prior to joining the company, he was with Aditya Birla Nuvo Ltd, with BSE (where he also held the position of President) and was one of the first directors of CDSL.

**Pradeep Gupta** is the Non-Executive Director of the company. He has been with the company since March 18, 2005. He has promoted Anand Rathi Share and Stock Brokers Ltd (formerly known as Navratan Capital and Securities Pvt Ltd) and thereafter he joined ARFSL (formerly known as Anand Rathi Securities Pvt Ltd) with Anand Rathi in the year 1998. He has over 30 years of experience in capital markets.

**Amit Rathi** is the Non-Executive Director of the company. He has been associated with the company since March 18, 2005. He is associated with the private wealth management and investment banking businesses of the Anand Rathi Group. He is also a director on the board of their corporate Promoter, ARFSL (formerly known as Anand Rathi Securities Pvt Ltd).

**Ramesh Chandak** is the Independent Director of the company. He has been associated with the company since March 15, 2018. He was also the managing director of KEC International Ltd.

**Exhibit 1: Profit & Loss Statement**

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
<b>Total operating income</b>	276.6	331.8	265.3	166.9
% chg	-	20.0	-20.0	-
<b>Total Expenditure</b>	178.7	225.1	195.5	93.2
Employee Benefit Expenses	132.2	166.6	150.8	74.4
Other Expenses	46.5	58.5	44.7	18.8
<b>EBITDA</b>	97.9	106.7	69.9	73.7
% chg	-	9.0	-	5.5
(% of Net Sales)	35.4	32.2	26.3	44.2
Depreciation & Amortization	16.3	21.0	17.3	6.5
<b>EBIT</b>	81.6	85.7	52.6	67.2
% chg	-	-	-38.6	-
(% of Net Sales)	29.5	25.8	19.8	40.3
Finance costs	6.1	3.3	2.9	0.9
Other income	7.6	4.6	13.9	2.0
(% of Sales)	2.7	1.4	5.2	1.2
<b>Recurring PBT</b>	83.1	87.0	63.6	68.3
% chg	-	4.6	-26.9	7.5
Tax	24.7	25.3	18.5	17.3
<b>PAT</b>	58.4	61.6	45.1	51.1
% chg	-	5.4	-26.8	
(% of Net Sales)	21.1	18.6	17.0	30.6
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	14.0	14.8	10.8	-

Source: Company, Angel Research

**Exhibit 2: Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	13.5	13.5	13.8	20.8
Other equity (Retained Earning)	110.5	172.0	227.5	266.0
Non-Controlling interest	12.5	11.6	11.6	11.6
<b>Shareholders' Funds</b>	<b>136.5</b>	<b>197.1</b>	<b>252.9</b>	<b>298.4</b>
<b>Total Loans</b>	<b>0.6</b>	<b>41.7</b>	<b>33.4</b>	<b>31.2</b>
Other liabilities	23.8	18.7	7.5	5.3
<b>Total Liabilities</b>	<b>160.9</b>	<b>257.5</b>	<b>293.8</b>	<b>335.0</b>
<b>APPLICATION OF FUNDS</b>				
Property, Plant and Equipment	7.5	8.9	7.2	6.7
Right-of-use Asset	31.3	25.1	12.3	8.7
Capital work in progress	-	65.4	69.0	70.2
Goodwill	2.9	2.9	2.9	2.9
Other Intangible assets	7.9	37.3	32.2	30.1
Intangible assets under development	31.7	-	-	-
Current Assets	112.4	150.6	94.1	147.6
Investments	75.1	1.8	2.7	2.8
Trade Receivables	11.0	9.1	10.9	12.9
Cash and cash equivalents	11.4	28.3	65.3	57.3
Bank balances other than above	0.0	0.0	0.0	0.0
Loans	0.2	64.9	-	26.8
Other Financial Assets	12.2	33.3	13.7	46.4
Other Current Assets	2.4	13.2	1.5	1.4
Current Liability	70.0	151.6	45.6	67.3
<b>Net Current Assets</b>	<b>42.4</b>	<b>-0.9</b>	<b>48.5</b>	<b>80.3</b>
Other Non-Current Asset	37.2	118.8	121.7	136.2
<b>Total Assets</b>	<b>160.9</b>	<b>257.5</b>	<b>293.8</b>	<b>335.0</b>

Source: Company, Angel Research

**Exhibit 3: Consolidated Cash flows**

Y/E March (₹cr)	FY2019	FY2020	FY2021	5MFY22
Operating profit before changes	101.8	110.6	83.2	74.6
Net changes in working capital	0.1	49.7	-80.3	-10.7
Cash generated from operations	101.9	160.2	2.9	63.9
Direct taxes paid (net of refunds)	-34.8	-19.9	-23.9	-29.1
<b>Net cash flow operating activities</b>	<b>67.1</b>	<b>140.3</b>	<b>-21.0</b>	<b>34.8</b>
Sale/(Purchase) of Plant and Equipment	-3.9	-49.8	-1.3	-1.6
Dilution of NCI	-2.0	-	0.0	0.0
Acquisition of Intangible Assets	-0.2	-0.8	-	-
Intangible Assets	-8.2	-5.2	-	-
Dividend received	-	0.0	0.0	0.0
Interest Income	1.0	1.0	4.7	1.4
Others	-29.0	-96.8	71.3	-29.0
<b>Cash Flow from Investing</b>	<b>-42.3</b>	<b>-151.7</b>	<b>74.8</b>	<b>-29.1</b>
Loan Taken/(Repayment)	-0.1	41.1	-8.4	-2.1
Interest Paid	-3.3	-0.6	-1.0	-0.4
Issue of Shares	0.0	0.1	10.8	0.1
Dividend paid	-	-	-6.9	-6.9
Lease Payments	-10.5	-12.4	-11.2	-4.3
<b>Cash Flow from Financing</b>	<b>-13.9</b>	<b>28.2</b>	<b>-16.7</b>	<b>-13.6</b>
Inc./(Dec.) in Cash	10.8	16.8	37.1	-8.0
<b>Opening Cash balances</b>	<b>0.57</b>	<b>11.41</b>	<b>28.25</b>	<b>65.32</b>
<b>Closing Cash balances</b>	<b>11.4</b>	<b>28.3</b>	<b>65.3</b>	<b>57.3</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March	FY2019	FY2020	FY2021
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	39.2	37.1	50.8
P/CEPS	30.6	27.7	36.7
P/BV	18.5	12.3	9.5
EV/Sales	8.2	7.1	8.5
<b>Per Share Data (Rs)</b>			
EPS (Basic)	14.0	14.8	10.8
EPS (fully diluted)	14.0	14.8	10.8
Cash EPS	18.0	19.9	15.0
Book Value	29.8	44.6	58.0
<b>Returns (%)</b>			
ROE	42.8	31.3	17.8
ROCE	50.7	33.3	17.9

Source: Company, Angel Research

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