

ANAND RATHI WEALTH LIMITED

Issue highlights

- ❑ **Anand Rathi Wealth Limited ("ARWL")** was incorporated on March 22, 1995. ARWL is one of the leading non-bank wealth solutions firms in India and has been ranked amongst the Top-3 non-bank mutual fund distributors in India by gross commission earned in Fiscal 2019, 2020 and 2021. They provide services primarily through their flagship Private Wealth ("PW") vertical where they manage ₹ 294.72 billion in Asset under Management ("AuM") as on August 31, 2021.
- ❑ The company:
 - 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;
 - purchases non-convertible market linked debentures ("MLDs") and offers them to its clients and earns income from these sales.
- ❑ The AuM comprises mutual fund schemes and other financial products such as bonds, MLDs and other securities held by clients in their own demat accounts. The 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.
- ❑ Their Clients or active client families include client families/groups with at least ₹5 million in cumulative AuM. Their client families have consistently grown with new family additions of 965, 863, 988 and 455 in Fiscal 2019, 2020, 2021 and for the period ended August 31, 2021 respectively. Correspondingly, their PW AuM has also grown at a CAGR of 22.47% from ₹ 180.37 billion as of 31st March, 2019 to ₹ 294.72 billion on March 31, 2021.
- ❑ As of August 31, 2021, PW vertical caters to 6,564 active client families, serviced by a team of 233 RMs. Also, 54.69% of their Clients have been associated with them for over 3 years, representing 73.55% of their total PW AuM.
- ❑ They are currently present across 11 cities in India; namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and they have a representative office in Dubai.

Brief Financial Details*

(₹ In Cr)

| | As at Aug' 31, | As at Mar' 31, | | |
|---------------------------|----------------|----------------|-----------|-----------|
| | 2021 (05) | 2021 (12) | 2020 (12) | 2019 (12) |
| Equity Share Capital | 20.81 | 13.76 | 13.51 | 13.45 |
| Reserves | 265.99 | 227.54 | 172.01 | 110.48 |
| Net worth | 286.79 | 241.30 | 185.52 | 123.94 |
| Revenue from Operations | 166.93 | 265.33 | 331.83 | 276.59 |
| Revenue Growth (%) | - | (20.04)% | 19.97% | - |
| EBITDA as stated | 75.69 | 83.76 | 111.07 | 106.25 |
| EBITDA Margin (%) | 44.81% | 30.00% | 33.02% | 37.39% |
| Profit Before Tax | 68.34 | 63.58 | 86.96 | 83.10 |
| Net Profit for the period | 51.09 | 45.10 | 61.61 | 58.43 |
| Net Profit Margin (%) | 30.61% | 17.00% | 18.57% | 21.13% |
| EPS – Basic (₹) | 12.30^ | 10.98 | 15.15 | 14.67 |
| EPS – Diluted (₹) | 12.25^ | 10.85 | 14.95 | 14.40 |
| RoNW (%) | 17.81%^ | 18.69% | 33.09% | 47.77% |
| NAV – Basic (₹) | 68.91 | 58.46 | 45.76 | 30.71 |
| NAV – Dilute (₹) | 68.63 | 57.76 | 45.14 | 30.14 |

Source: RHP *Restated Consolidated, ^not annualised. EPS and NAV calculated on increased equity Capital.

Issue Details

Offer for sale of 12,000,00 Equity shares

Issue summary

Issue size: ₹ 635 - 659 Cr
No. of shares: 12,000,000 Shares
Face value: ₹ 5
Employee Reservation: 250,000 Shares

Price band: ₹ 530 - 550

Bid Lot: 27 Shares and in multiple thereof
Employee Discount: ₹ 25/- per share

Post Issue Implied Market Cap =
 ₹ 2,206 – 2,289 Cr

BRLMs: Equirus Capital, BNP Paribas, IIFL Securities, Anand Rathi Advisors

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Thursday, 2nd Dec'2021

Issue closes on: Monday, 6th Dec'2021

Indicative Timetable

| Activity | On or about |
|------------------------------------|-------------|
| Finalisation of Basis of Allotment | 09-12-2021 |
| Refunds/Unblocking ASBA Fund | 10-12-2021 |
| Credit of equity shares to DP A/c | 13-12-2021 |
| Trading commences | 14-12-2021 |

Issue break-up

| | No. of Shares | ₹ In Cr | | % of Issue |
|--------------|-------------------|---------------|---------------|-------------|
| | | @Lower | @upper | |
| QIB | 5,875,000 | 311.38 | 323.13 | 50% |
| NIB | 1,762,500 | 93.41 | 96.94 | 15% |
| RET | 4,112,500 | 217.96 | 226.19 | 35% |
| EMP | 250,000 | 12.63 | 13.12 | |
| Total | 12,000,000 | 635.38 | 659.38 | 100% |

Listing : BSE & NSE

Shareholding (No. of Shares)

| | Pre-Offer and Post-Offer Equity Shares |
|---------------------|--|
| No of shares | 41,616,227 |

Shareholding (%)

| | Pre-Issue | Post-Issue |
|----------------|----------------|----------------|
| Promoters | 61.44% | 37.33% |
| Promoter Group | 13.29% | 11.49% |
| Public | 25.26% | 51.18% |
| Total | 100.00% | 100.00% |

BACKGROUND

Company and Directors

The company was incorporated as '*Hitkari Finvest Private Limited*' on March 22, 1995 at Mumbai. The company's Promoters are Anand Rathi, Pradeep Gupta and Anand Rathi Financial Services Limited. Currently, Promoters collectively hold 25,569,525 Equity Shares, representing 61.44% of the pre-Offer issued, subscribed, and paid-up capital of the company.

Brief Biographies of Directors

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).

Rakesh Rawal is the Executive Director and the Chief Executive Officer of the company. He has been associated with the wealth management business of Anand Rathi Group since April 2, 2007. Prior to joining the company, he worked with Deutsche Bank and Hindustan Lever Ltd. He currently focusses on the business development and client acquisition for the private wealth management business of the company.

Mohan Tanksale is the Independent Director of the company. He has been associated with the company since February 6, 2018. He has more than 42 years of experience having served 3 major public sector banks being, Union Bank of India, Punjab National Bank as Executive Director and Central Bank of India. He has also served on the board of various subsidiaries of Punjab National Bank and Central Bank of India and Life Insurance Corporation of India.

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.

Kishan Gopal Somani is the Independent Director of the company. He has been associated with the company since March 15, 2018. He has around 50 years of experience. Prior to joining the company, he was a president of ICAI.

Sudha Navandar is the Independent Director of the company. She has been associated with the company since March 15, 2018.

Key Managerial Personnel

Ashish Chauhan is the Company Secretary and Compliance Officer of the company. He has been associated with the company since December 2, 2019. He has over 10 years of experience in secretarial functions.

Rajesh Kumar Bhutara is the Chief Financial Officer of the company. He has been associated with Anand Rathi Group since August 8, 2000. In his experience of over 21 years with Anand Rathi Group he has played a key role in looking at various functions areas like finance, accounts and taxation.

OFFER DETAILS

| Offer for Sale | Upto 12,000,000 Equity Shares |
|---|-------------------------------------|
| Promoters Selling Shareholder | |
| <i>Anand Rathi</i> | <i>Upto 375,000 Equity Shares</i> |
| <i>Pradeep Gupta</i> | <i>Upto 375,000 Equity Shares</i> |
| <i>Anand Rathi Financial Services Ltd</i> | <i>Upto 9,285,000 Equity Shares</i> |
| The Investor Selling Shareholders | |
| <i>Amit Rathi</i> | <i>Upto 375,000 Equity Shares</i> |
| <i>Priti Gupta</i> | <i>Upto 375,000 Equity Shares</i> |
| The Other Selling Shareholders | |

| Offer for Sale | Upto 12,000,000 Equity Shares |
|--------------------|-------------------------------|
| Supriya Rathi | Upto 375,000 Equity Shares |
| Rawal Family Trust | Upto 375,000 Equity Shares |
| Jugal Mantri | Upto 105,000 Equity Shares |
| Feroze Azeez | Upto 729,210 Equity Shares |

SHAREHOLDING PATTERN

| Shareholders | Pre-offer | | No. of Shares offered | Post-offer | |
|--|-------------------------|---------------------------------|-----------------------|-------------------------|---------------------------------|
| | Number of Equity Shares | % of Total Equity Share Capital | | Number of Equity Shares | % of Total Equity Share Capital |
| Promoter and Promoters Group | | | | | |
| Promoter | 25,569,525 | 61.44% | 10,035,000 | 15,534,525 | 37.33% |
| Promoters Group | 5,532,500 | 13.29% | 750,000 | 4,782,500 | 11.49% |
| Total for Promoter and Promoter Group | 31,102,025 | 74.74% | 10,785,000 | 20,317,025 | 48.82% |
| Public – Investor Selling Shareholders | 3,686,310 | 8.86% | 1,215,000 | 2,471,310 | 5.94% |
| Public - Other | 6,827,892 | 16.41% | | 18,827,892 | 45.24% |
| Total for Public Shareholder | 10,514,202 | 25.26% | 1,215,000 | 21,299,202 | 51.18% |
| Total Equity Share Capital | 41,616,227 | 100.00% | 12,000,000 | 41,616,227 | 100.00% |

BUSINESS OVERVIEW

Anand Rathi Wealth Limited (“ARWL”) is one of the leading non-bank wealth solutions firms in India and has been ranked amongst the Top-3 non-bank mutual fund distributors in India by gross commission earned in Fiscal 2019, 2020 and 2021. They serve a wide spectrum of clients through a mix of wealth solutions, financial product distribution and technology solutions. They provide services primarily through their flagship Private Wealth (“PW”) vertical where they manage ₹ 294.72 billion in AuM as on August 31, 2021. The 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 the 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, the 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 the company. All decisions regarding purchase and sale of mutual funds and other securities are taken by the clients. ARWL is not engaged in any portfolio management of its clients. Their 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.

They have achieved a dominant position in the distribution of financial products, with a focus on the growing HNI segment through an uncomplicated, holistic and standardised offering, delivered through an entrepreneurial team of private wealth professionals, known as Relationship Managers (“RMs”).

ARWL commenced activities in Fiscal 2002 as an AMFI registered mutual fund distributor and has evolved into providing, well researched solutions to their Clients by facilitating investments in financial instruments through an objective driven process. As of August 31, 2021, PW vertical caters to 6,564 active client families, serviced by a team of 233 RMs. Also, 54.69% of their Clients have been associated with them for over 3 years, representing 73.55% of their total PW AuM, which shows their strength in vintage of both clients and their AuM in their business. They are currently present across 11 cities in India, namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and they have a representative office in Dubai.

The HNI segment of clients (*i.e.*, individuals with net worth between ₹ 50 - 500 million), is an attractive and underserved segment in terms of quality of service and creating a platform to serve this segment is often time consuming and difficult to build. In their experience, Clients belonging to the HNI segment are less price sensitive and appreciate the high quality and personalized services they offer. Their client families have consistently grown with new family additions of 965, 863, 988 and 455 in Fiscal 2019, Fiscal 2020, Fiscal 2021 and for the period ended August 31, 2021 respectively. Correspondingly, their PW AuM has also grown at a CAGR of 22.47% from ₹ 180.37

billion as of 31st March, 2019 to ₹ 294.72 billion on March 31, 2021. Their growth in the PW vertical is driven by their experienced management team with decades of experience in financial services led by Rakesh Rawal, their Chief Executive Officer and Feroze Azeez, their Deputy Chief Executive Officer. Their business strategies are implemented by a team of experienced professionals, with relevant functional and product expertise. ARWL has been ranked in the top 50 in India's Great Mid-Size Workplaces 2017, 2018 and 2020 by Great Place to Work Institute India.

Their process driven approach, aims to achieve consistent Client outcomes through a standardised investment strategy, augmenting their RM capability. With regards to mutual fund distribution, they have devised in-house methodologies that consider a defined set of parameters for mutual fund selection. Non-Convertible Market Linked Debentures (MLDs) form an integral part of their model portfolios enabling predictable returns, with lower risk as compared to equity investment over a medium to long term period. Their product mix of mutual funds and MLDs, further positions them well to capture their target clientele.

As part of their holistic approach to clients, they also facilitate estate planning, succession planning and create wills as part of their core objectives, without charging any cost to their Clients. Currently, they have a dedicated in-house team of 4 specialists who are qualified lawyers and servicing clients across all locations to advise and create wills or designing and creation of private family trust.

They have digitised their operational process, including opening of an account, client approvals and investment transactions and on-boarding process. This has led to cost efficiencies and making execution less cumbersome, more transparent and contributed to the growth of their company. Their Client engagement and marketing efforts have also significantly converted to digital with a move to a virtual process of meeting clients during the pandemic and conducting official meetings and training with multiple stakeholders. Moving to paperless documentation and operational process coupled with work from home model had fundamentally reduced their operating cost relating to stationery and printing costs, travel, business development and rental expenses.

In addition to PW vertical, they have 2 other new age technology led business verticals, *i.e.*, Digital Wealth (“DW”) and Omni Financial Advisors (“OFA”). Technology is the key to keeping their business future proof. Their DW and OFA verticals are examples of their tireless efforts to create a technology platform to acquire new clients at lower cost as well as service and retain their existing clients. These in-house developed technologies, including mobile application for clients and partners provides them a ready platform to integrate with their PW vertical in future as and when required reducing their time to market for a digital solution.

Their DW vertical is a fin-tech extension of their 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, their DW vertical has seen encouraging results in its attempt to build a ‘Partner’ led distribution model. As of August 31, 2021, the AuM for their DW vertical was ₹ 7.38 billion with 3,491 clients and 195 client engagement partners.

Their OFA vertical is another strategic extension for capturing the wealth management landscape through which they provide a technology platform for Independent Financial Advisors (“IFAs”) to service their clients and grow their business. Within a short period of over 5 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. As of August 31, 2021, 5,062 IFAs had subscribed to their IFA platform. These IFAs handle around 1.63 million clients.

Their AuM comprises mutual fund schemes and other financial products such as bonds, non-convertible market linked debentures other securities held by clients in their own demat accounts.

The detailed break-up of their AUM for the Fiscal 2019, 2020, 2021 and for the 5 months ended August 2021:

| PWM Aum (₹ in Billion) | Apr'1 to Aug'31 | | As at March 31, | | | | | |
|---------------------------|-----------------|----------------|-----------------|----------------|---------------|----------------|---------------|----------------|
| | 2021 | | 2021 | | 2020 | | 2019 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Equity Mutual Fund | 123.12 | 41.77% | 94.95 | 36.44% | 58.17 | 32.38% | 78.38 | 43.45% |
| Debt Mutual Fund | 44.11 | 14.97% | 45.31 | 17.39% | 49.07 | 27.31% | 46.75 | 25.92% |
| Total MF | 167.23 | 56.74% | 140.26 | 53.83% | 107.24 | 59.69% | 125.13 | 69.37% |
| Structured Products/ MLDs | 92.93 | 31.53% | 93.28 | 35.80% | 57.52 | 32.02% | 39.59 | 21.95% |
| Total | 260.16 | 88.27% | 233.54 | 89.63% | 164.76 | 91.71% | 164.72 | 91.32% |
| Direct Equity and Others | 34.56 | 11.73% | 27.03 | 10.37% | 14.90 | 8.29% | 15.65 | 8.68% |
| Total | 294.72 | 100.00% | 260.57 | 100.00% | 179.66 | 100.00% | 180.37 | 100.00% |

Break-up of AuM: DWM

| DWM Aum (₹ in Billion) | Apr'1 to Aug'31 | | As at March 31, | | | | | |
|---------------------------|-----------------|----------------|-----------------|----------------|-------------|----------------|-------------|----------------|
| | 2021 | | 2021 | | 2020 | | 2019 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Equity Mutual Fund | 5.47 | 74.22% | 4.30 | 70.26% | 2.45 | 62.83% | 2.60 | 73.03% |
| Debt Mutual Fund | 1.05 | 14.25% | 1.03 | 16.83% | 0.99 | 25.38% | 0.88 | 24.72% |
| Total MF | 6.52 | 88.47% | 5.33 | 87.09% | 3.44 | 88.21% | 3.48 | 97.75% |
| Structured Products/ MLDs | 0.85 | 11.53% | 0.79 | 12.91% | 0.46 | 11.79% | 0.08 | 2.25% |
| Total | 7.37 | 100.00% | 6.12 | 100.0% | 3.90 | 100.00% | 3.56 | 100.00% |
| Direct Equity and Others | - | - | - | - | - | - | - | - |
| Total | 7.37 | 100.00% | 6.12 | 100.00% | 3.90 | 100.00% | 3.56 | 100.00% |

Break-up of AuM: PWM and DWM

| PWM & DWM Aum (₹ in Billion) | Apr'1 to Aug'31 | | As at March 31, | | | | | |
|---------------------------------|-----------------|----------------|-----------------|----------------|---------------|----------------|---------------|----------------|
| | 2021 | | 2021 | | 2020 | | 2019 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Equity Mutual Fund | 128.58 | 42.56% | 99.25 | 37.21% | 60.62 | 33.03% | 80.98 | 44.03% |
| Debt Mutual Fund | 45.16 | 14.95% | 46.34 | 17.38% | 50.06 | 27.27% | 47.64 | 25.90% |
| Total MF | 173.74 | 57.51% | 145.59 | 54.59% | 110.68 | 60.30% | 128.62 | 69.93% |
| Change YOY(%) | 19.34% | | 31.54% | | (13.95)% | | NA | |
| Structured Products/ MLDs | 93.79 | 31.05% | 94.08 | 35.28% | 57.97 | 31.58% | 39.66 | 21.56% |
| Total | 267.54 | 88.56% | 239.67 | 89.87% | 168.65 | 91.88% | 168.28 | 91.49% |
| Direct Equity and Others | 34.56 | 11.44% | 27.03 | 10.13% | 14.90 | 8.12% | 15.65 | 8.51% |
| Total | 302.09 | 100.00% | 266.70 | 100.00% | 183.55 | 100.00% | 183.93 | 100.00% |

COVID 19 – BUSINESS IMPACT**Product Initiatives:**

- Their clients shifted their corpus from debt mutual funds to overnight / liquid funds as the fear of a crisis in bond markets started to rise.
- During the Fiscal, they released 10 research reports covering the various fundamentals of markets like Impact of Covid on market volatility, GDP projections, corporate profitability, liquidity flow, sectoral concerns like banking NPA and elaborating the positive view on the equity market.
- All these initiatives led to a net addition of ₹1.25 billion in FY21 and ₹10.18 billion in 5 months ended August 31, 2021 in their growth / equity oriented mutual fund AuM

Digital Outreach

- Digital meetings – ARWL shifted to a virtual process of meetings clients during the pandemic with meetings on digital platforms such as Zoom, Microsoft teams and Google meets etc. Thus, their client engagement became continuous, paving the way for quicker decision-making and increasing overall productivity.
- Digitizing operational process, the opening of an account, client approvals, transactions and on-boarding process became less cumbersome, more transparent and contributed to the growth of the organization
- They started digital training which allowed them to conduct training frequently.

Cost Efficiencies

- With the pandemic forcing a work from a home model, they had a cost advantage as travel expenses reduced significantly. From travelling domestically and internationally to meet clients and having product and review meetings at different locations - everything reduced to meeting in a virtual office.
- Moving to paperless documentation and operational process coupled with work from home model decreased stationery and printing costs.
- Although they intend to continue work from home model going forward for the office-going employees, they have already renegotiated rental cost across specific locations to incorporate this initiative.
- Physical client events turned digital, which increased the reach with the number of customers and decreased the cost significantly.

COMPANY BUSINESS

Private Wealth Vertical

Company's PW vertical caters to HNI and UHNI segment vertical where they manage ₹ 294.72 billion in AuM as on August 31, 2021. As of August 31, 2021, their PW vertical caters to 6,564 active client families, serviced by a team of 233 RMs. As on August 31, 2021, 54.69% of their clients have been associated with them for over 3 years, representing 73.55% of their total PW AuM, which shows their strength in vintage of both clients and their AuM in their business. ARWL is currently present across 11 cities in India, namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and they have a representative office in Dubai. Their process driven approach, aims to achieve consistent client outcomes through a standardised investment strategy, augmenting their RM capability. With regards to mutual fund distribution, they are amongst one of the 3 leading Mutual Fund Distributor ("MFD") in India. They 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 them. Over the years, they have devised in-house methodologies that consider a defined set of parameters for mutual fund selection. They are the 3rd largest mutual fund distributor on the basis of the gross commission non-bank MFDs in Fiscal 2019, Fiscal 2020 and Fiscal 2021.

Apart from the mutual funds, they also sell non-convertible market linked debentures (MLDs) to their clients. Non-Convertible Market Linked Debentures ('MLDs') form an integral part of their model portfolios enabling more predictable and stable returns, with lower risk as compared to equity investment over a medium to long term period. ***Their primary revenue stream under this vertical is distribution and sale of financial products.*** They earn distribution commissions primarily on a trail basis from AMC's. They also purchase non-convertible MLDs and offer them to their clients.

As part of managing wealth for their clients, their proposition also includes estate planning, succession planning and creating wills as part of their core objectives, without any cost to their clients. It safeguards and enables smooth transmission of wealth, which brings effective long-term relationship with the clients.

Digital Wealth Vertical

AR Digital wealth ("DW vertical") is a fin-tech extension of company's proposition, born from the extensive learnings from experience in the Private Wealth solutions. The idea was to address the large mass affluent segment of the market with a wealth solution delivered through a 'phygital channel' i.e. a combination of human distributor empowered with technology. It seeks to build a scalable and profitable model by using this blend of technology capabilities and human interface. This segment of the business was launched in 2016 and in a short time frame has seen encouraging results in its attempt to build a 'Partner' led distribution model through whom a packaged investment solution is delivered. 'Partners' are IFAs and AMFI registered Mutual Fund Distributors who are seeking to grow their business by taking the Anand Rathi brand, product research, selection and investment insights to their clients through an innovative easy-to-use technology interface. The business is also in the process of building a remote direct sales team that will be able to deliver this proposition using virtual channels and onboard the client through its online account opening process.

As of August 31, 2021, the AuM for the DW vertical was ₹ 7.38 billion with 3,491 clients and 195 client engagement partners. The offering has a dedicated client mobile application and that is the primary mode of engagement between the partner and the client.

Omni Financial Advisors ("OFA") Vertical

The OFA vertical is another strategic extension for capturing the wealth management landscape. With OFA they provide a technology platform for Independent Financial Advisors ("IFAs") to service their clients and grow their business.

Since its launch in September, 2016, it has become India's leading tech platforms for IFAs in terms of subscribers with 5,062 IFAs, around 1.63 million Platform Clients as on August 31, 2021. Platform Clients are the clients that are serviced by the IFAs. This is mobile first platform servicing its users i.e. IFAs in mobile based client reporting, online transactions and financial planning for their clients. Coupled with analytics, data management and business management systems and a dedicated team of support and technology specialists, it endeavors to be one stop solution for an IFA.

(₹ in Crore)

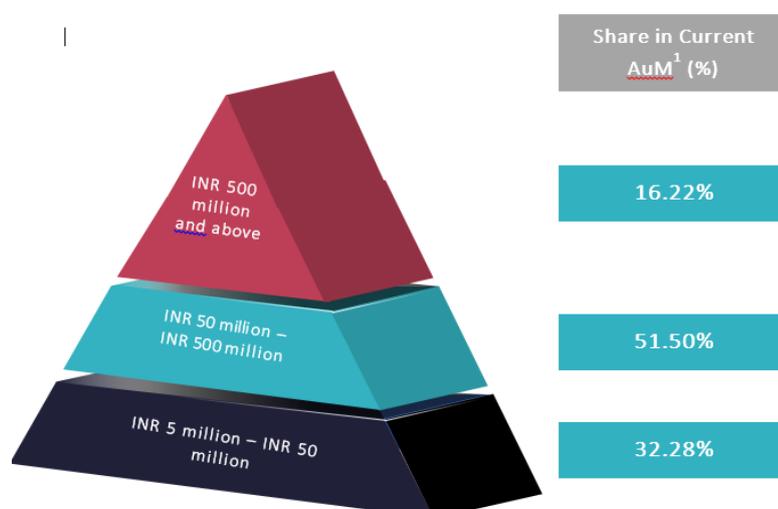
| | 5 months period ended Aug'31, 2021 | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|--|------------------------------------|-------------|-------------|-------------|
| Mutual fund AUM and mutual fund distribution income | | | | |
| MF AUM | 17,375.00 | 14,559.00 | 11,068.00 | 12,861.00 |
| Mutual Fund Distribution Income | 55.56 | 90.23 | 99.60 | 104.00 |
| MLDs mobilised and income from the sale of MLDs | | | | |
| MLDs Sold | 1,157.00 | 2,871.00 | 2,973.00 | 1,866.00 |
| Income from Sale of MLDs | 92.24 | 147.90 | 213.52 | 123.15 |

COMPETITIVE STRENGTHS

- 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, they typically on-board clients with a relationship value of a minimum of ₹ 5 million. Through their uncomplicated, standardized and well researched approach, the client relationship value increases over a period of time.

The split of the AuM and Client count across different categories:



(1: Data as on August 31, 2021)

The HNI segment of clients is the most attractive and underserved segment in terms of the quality of service. Creating a platform to serve this segment is often time consuming and difficult to build, however, this platform has the potential to provide the company a better opportunity to be the sole or a dominant wealth services provider to clients. Based on their experience, their clients belonging to the HNI segment are less price sensitive for the value of the service they offer.

The number of active client families with respect to the PW vertical stood at 6,564 as on August 31, 2021, wherein 54.69% of their clients have been associated with them for a period of over 3 Financial Years. Their value proposition has enabled them to make consistent additions to their number of Clients during the last 3 Fiscals as showcased in the table below:

| Fiscal | April 01, 2021 to August 31, 2021 | 2020-2021 | 2019-20 | 2018-19 |
|----------------------|-----------------------------------|-----------|---------|---------|
| No. of Clients added | 455 | 988 | 863 | 965 |

- Uncomplicated, holistic and standardized solutions offered to clients based on an objective –driven Approach**

The 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 their service proposition. Their model portfolio consists of an optimal combination of mutual funds and structured products making it relatively simpler for clients to understand.

The end-to-end, process driven, standardized and well researched solution approach:


The model portfolios are created using their in-house research and analytical tools in allocating assets and selecting securities that are aligned to each client's liquidity and risk profile. The portfolio is periodically monitored and if required, strategic calls are organized with clients to modify strategy and help them reach their financial goals.

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

Mutual Fund: They are amongst the Top-3 leading Mutual Fund Distributor ("MFD") in India. They 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 them.

They are the 3rd largest mutual fund distributor on the basis of the gross commission non -bank MFDs in Fiscal 2019, 2020 and 2021.

Non-Convertible Market Linked Debentures (MLDs): Apart from distribution of mutual funds, they also sell Structured Products/ market linked non-convertible debentures to their Clients. MLDs form an important part of their model portfolio acting as a hedge to market variability providing more predictable returns based on the market performance movement with medium to lower return risk as compared to equity investment over the maturity period.

They presently choose MLDs issued by Anand Rathi Global Finance Ltd ("ARGFL"), which fit into their standardized investment strategy and target returns. They buy these products from ARGFL which are then sold to certain of their clients and the income is earned by the company from such sale. Their MLDs are back-tested to assess probability of delivering target returns. This process has resulted into delivery of favorable returns to their clients.

A large portion of the MLDs gross mobilization comes from repeat purchasers, *i.e.* Clients who have invested in ARGFL MLDs before. Over the last 3 Fiscals and 5 months ended August 31, 2021, 78% of their MLDs sales (₹ 69.16 billion out of ₹ 88.67 billion) have come from their repeat purchasers.

| Fiscal | Total | % | Apr'30, 2021 till Aug'31, 2021 | % | 2020-21 | % | 2019-20 | % | 2018-19 | % |
|--|-------|---------|--------------------------------|--------|---------|---------|---------|---------|---------|---------|
| No. of Products | 1672 | | 177 | | 634 | | 530 | | 331 | |
| Gross Mobilisation (₹ in Billion) | 88.67 | 100.00% | 11.57 | 100% | 28.71 | 100.00% | 29.73 | 100.00% | 18.66 | 100.00% |
| Repeat Purchase by existing clients (₹ in Billion) | 69.16 | 78.00% | 9.04 | 78.11% | 19.31 | 67.25% | 24.45 | 82.28% | 16.36 | 87.65% |

- **Focus on value added services *i.e.*, safety net and estate planning services**

The company believes in a holistic approach, and as part of managing wealth for their clients, their proposition also includes estate planning, succession planning and creating wills as part of their core objectives, without any cost to

their team of 5 qualified lawyers, who are providing services to their clients with succession and estate planning services across all locations.

Company's focus on estate planning is through a 2-fold process:

- **Advising and creation of wills** – Their estate planning team comprise of various subject-matter experts which provide relevant legal advice and case studies to decide on the distribution of wealth as per the client's desire and create customized documents as per the client's requirements.
- **Designing and creation of private family trust** – The safety nets are critical for clients since it increases the probability of protecting the accumulated wealth against any liability or encumbrance that the client may face in its business or profession. They typically recommend their clients for creation of private family trusts that can help them achieve their wealth goals.
- **Focused towards attracting and retaining talent through an entrepreneurial work culture**

The company hires 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 March 31, 2021, they had a total of 228 AMs. Over the last 3 years, 38 AMs have successfully progressed into the role of RM.

They have built several people practices that provide a competitive advantage in their business. All employees in the role of business heads, including unit heads and team leaders, actively also work as RMs and manage client relationships. As a result, their entire management, product and advisory teams bring a deep and hands-on understanding of the market that enables them to be extremely agile as a business, identify and take advantage of strategic opportunities quickly and proactively respond to the changing competitive and regulatory landscape in India.

- **Strategic approach to the marketing initiatives**

While references given by existing clients is the most popular mechanisms to on-board new families, another mechanism that has been successful for the company is the focused group discussions. In this event, groups of RMs invite prospective clients, and a speaker does the rendition of company's proposition. Such events were conducted across all major locations in India.

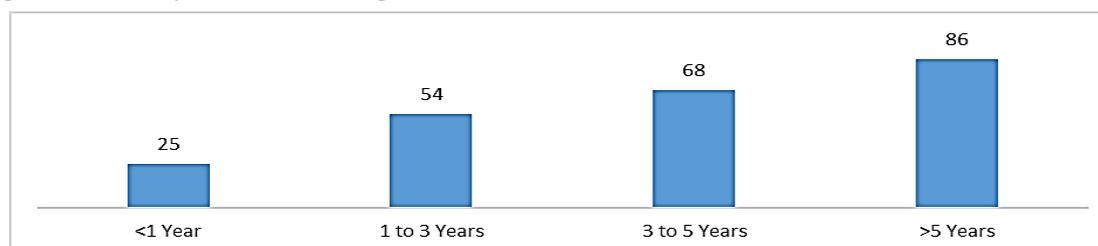
The Fiscal 2020-2021 saw new challenges due to the COVID-19 pandemic. The company conducted digital webinars and their interactive webinars increased as against their physical events giving them a wider outreach. While the new client acquisitions seem to have been challenging, given the constraints of not doing physical meetings, the team still acquired 988 clients, with an average of approximately 82 clients per month in the Fiscal ending March 31, 2021.

KEY BUSINESS STRATEGIES

- **Increasing RM count with a focus on higher vintage RMs:**

RMs are the building blocks for their business. The greater is the vintage of a RM, the more productive such person is able to garner clients and increase high yield AuM. Currently, 87.02% of the AuM is generated by the RMs having a vintage of three years or more. The company aims to improve their RMs strength and increase the higher vintage RMs to generate maximum business

A vintage wise break-up of RM's as on August 31, 2021 is as follows:



- **Focus on scaling the business by capitalizing on current market opportunities and through geographic expansion**

India has the key ingredients of a high-growth wealth management market. Currently, 8% of the total population in India represents 45% of the total wealth and of the above only 20% take advice from wealth managers. With

increase in start-ups, rising income levels and friendly macro factors with ease of doing business will drive growth of young HNI population in India; there is a big opportunity for a wealth management firm to tap into an underpenetrated market with huge upside growth potential for wealth managers.

Also, as part of their expansion plans, they will continue the hub-and-spoke model to leverage common infrastructure and increase operational efficiency and aim for their geographic expansion to include tier 1, tier 2 and tier 3 cities across the country.

- **Brand-building efforts with an increased digital focus**

The company intends to increase their brand recognition through various brand-building efforts, communication and various promotional initiatives. In addition, several of their leadership team participates in various electronic media discussions around the private wealth sector, which also helps build brand visibility and attract new clients. Their brand enhancement will also include multi-channel initiatives like electronic media, Social media, articles in magazines and newspapers etc.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

| Name of the Bank | Consolidated/ Standalone | Face Value | Total Income (₹ Cr) | EPS (Basic) | NAV [^] | P/E [~] | RoNW (%) |
|----------------------------|-----------------------------|---------------|---------------------------|----------------|------------------|------------------|-------------|
| Anand Rathi Wealth Ltd | Consolidated | 5 | 279.25 | 10.98 | 58.46 | [•] | 18.68% |
| Peer Group | | | | | | | |
| IIFL Wealth Management Ltd | Consolidated | 2 | 1,659.02 | 42.24 | 321.77 | 35.77 | 13.06% |

Source: RHP; P/E Ratio has been computed based on the closing market price of equity shares on BSE on Nov'25, 2021

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