



Nov 30, 2021

ANAND RATHI WEALTH LTD.

IPO

One of the leading non-bank wealth solutions firms in India, Anand Rathi Wealth Limited, said it will launch its initial public offer (IPO) on Dec 02, 2021. The offer will close on Dec 06, 2021 and the company has fixed the price band at ₹530-₹550 per equity share.

Rating: **Subscribe**

Analyst

Saurabh Joshi, CA

saurabh.joshi@marwadigroup.in

Pravina Dali

pravina.dali@marwadigroup.in





Company's Overview

- Anand Rathi Wealth Ltd is one of the leading non-bank wealth solutions firms in India and has 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 serves a wide spectrum of clients through a mix of wealth solutions, financial product distribution and technology solutions.
- The company provides services primarily through their flagship Private Wealth ("PW") vertical where they manage ₹ 294.72 billion in AuM catering to 6,564 active client families, serviced by a team of 233 RMs, as on August 31, 2021.
- PW AuM vertical of the company has grown at a CAGR of 22.47% from ₹ 180.37 billion as of 31st March, 2019 to ₹ 294.72 billion on August 31, 2021.
- In addition to PW vertical, the company has two other new age technology led business verticals, namely Digital Wealth (DW) - a fin-tech extension addressing group of individuals with financial assets between ₹ 1 million to ₹ 50 million & Omni Financial Advisors (OFA) - strategic extension for capturing the wealth management landscape through which the company provides a technology platform for Independent Financial Advisors (IFAs) to service their clients and grow their business.
- The company is currently present across 11 cities in India, namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and we have a representative office in Dubai.

Valuations

- Considering the FY-22 annualized EPS of Rs.29.46 on post issue basis, the company is going to list at a P/E of 18.67x with a market cap of Rs.22,889 mn, while its peer namely IIFL Wealth Management is trading at P/E of 24.59x (FY22 annualized).
- We assign "Subscribe" rating to this IPO as the company is one of the leading non-bank mutual fund distributor in India with presence in Non-Convertible Market Linked Debentures as well. Also, it is available at reasonable valuations as compared to its peer.

Financial Snapshot

Particulars (in mn)	FY21	FY20	FY19
Revenue from Operations	2,653.30	3,318.27	2,765.87
Other Income	139.18	45.87	76
Total Income	2,792.48	3,364.14	2,841.87
Total Expenses	2,156.64	2,494.53	2,010.88
EBITDA	698.64	1,067.18	978.78
EBITDA Margin	26.33%	32.16%	35.39%
PAT	450.95	616.14	584.33
PAT Margin	17.00%	18.57%	21.13%
EPS	10.98	15.15	14.67

Issue Open	Dec 02, 2021, Fri
Issue Close	Dec 03, 2021, Mon
Issue Type	Book Built Issue IPO
Issue Size	Fresh Issue: Nil OFS: 12 mn eq shares (₹6600 mn)
Face Value	₹5
Issue Price Band	₹530-₹550
Listing at	NSE, BSE
Minimum Lot Size	27 Shares

Objects of the Issue

- Carry out the Offer for Sale of up to 12 mn by the Selling Shareholders.
- Achieve the benefits of share listing on the Stock Exchanges.

Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
QIB	5.88	3,231.25	50.00%
NIB	1.76	969.38	15.00%
Retail	4.11	2,261.88	35.00%
Employee	0.25	131.25	-

Shareholding Pattern

	Pre- Issue	Post-Issue
Promoters and Promoters Group	74.74%	48.82%
Public	25.26%	51.18%
Total	100.00%	100.00%

Capital Structure

Particulars	Aggregate value
Authorized Equity Share Capital	250.00 mn
Paid -Up Capital (Pre-Offer)	208.08 mn
Paid- Up Capital (Post-Offer)	208.08 mn



Competitive Strengths

- Focus on the underserved and less price sensitive HNI segment
- Uncomplicated, holistic and standardized solutions offered to clients based on an objective-driven approach
- One of the leading non-bank mutual fund distributor in India coupled with presence in Non-Convertible Market Linked Debentures.
- Focus on value added services i.e., safety net and estate planning services
- Focused towards attracting and retaining talent through an entrepreneurial work culture
- Strategic approach to the marketing initiatives

Key Business Strategies

- Increasing RM count with a focus on higher vintage RMs
- Focus on scaling business by capitalizing on current market opportunities and through geographic expansion
- Brand-building efforts with an increased digital

Key Risks

- The company is highly dependent on management team and Relationship Managers. Any loss of such team members or the inability to attract or retain management personnel may have material adverse effect on the business performance.
- The company is dependent on Anand Rathi Global Finance Limited (ARGFL), one of the Group Companies, for the business relating to the structured products. Sale of structured products of the company contributes about 63.21%, 59.23%, 66.10% to the overall revenue for the five month period ended August 31, 2021, Fiscal 2021, 2020 respectively.

Peer Comparison

Company Name	Face Value (₹ Per Share)	Total Income (in ₹mn)	EPS (₹)	NAV (₹per share)	RoNW (%)
Anand Rathi Wealth Ltd	5	2,792.48	10.98	58.46	18.68%
IIFL Wealth Management Ltd	2	16,590.20	42.24	321.77	13.06%

Promoters and Management Details

Name	Designation
Mr. Anand Rathi	Chairman and Non-Executive Director
Mr. Pradeep Gupta	Non-Executive Director
Mr. Amit Rathi	Non-Executive Director
Mr. Rakesh Rawal	Executive Director and Chief Executive Officer