

**Rating: Subscribe for listing gain**

### Issue Offer

**Offer For Sale of 12,000,000 equity shares taking the total issue size to INR 6,600 mn.**

#### Issue Summary

Price Band (INR)	530-550
Face Value (INR)	5
Implied Market Cap (INR Mn)	22,889
Market Lot	27
Issue Opens on	Dec 2nd, 2021
Issue Close on	Dec 6th, 2021
No. of share pre-issue	41,616,227
No. of share post issue	41,616,227
Listing	NSE / BSE

#### Issue Break-up (%)

QIB Portion	50
NIB Portion	15
Retail Portion	35

#### Book Running Lead Managers

Anand Rathi Advisors Ltd.

IIFL Securities Ltd.

BNP Paribas

Equirus Capital Private Ltd.

#### Registrar

Link Intime India Pvt. Ltd.

#### Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters & Promoter Group	74.7%	45.9%
Public	25.3%	54.1%

#### Objects of the issue

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- To enhance the Company's brand name and provide liquidity to existing Shareholders

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#### Company Profile:

Commencing activities in FY02, Anand Rathi Wealth (AWL) Ltd. is now 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. It offers two types of services: (a) Private Wealth (PW) Services wherein they manage INR 294.72 Bn AUM (as of H2FY22). It also act as a mutual fund distributor associated with AMFI. Through this the company earns commissions. (b) Purchases of Non Convertible, Market Linked Debentures (MLDs) which are offered to clients. The company earns income from these sales. It has a dominant presence in the distribution of financial services, with a focus on the HNI segment that they believe is highly underserved. Company offers relationship management services, estate planning, succession planning and create wills for the same.

#### Investment Rationale:

**HNI Focus and client retention:** Company's PW vertical focuses on the HNI segment which is less price sensitive and appreciates quality services. They on board clients if they have a relationship value of INR 5 Mn or more, which increases over the time. This segment is attractive and underserved. The number of active clients in the PW vertical was 6,654 as of 31<sup>st</sup> August 2021, wherein 54.69% of the clients have a relationship with the company for more then 3 years. In FY19/20/21 it has added 965/863/988 clients respectively.

**Market Leadership:** AWL is amongst the three leading Non Banking Mutual Fund Distributors (MFDs) in India as per CARE Advisory, as they distribute schemes from leading AMCs. It is also the third largest non banking mutual fund distributor on the basis of the gross commission non-bank MFDs in FY19 through 21.

**Non convertible MLDs:** Apart from distribution of mutual funds, company also sells non-convertible market linked debentures to Clients. This acts as an effective hedge against market volatility.

**Digital Propositions:** Both of its digital propositions- Anand Rathi Digital Wealth (PW solutions offered to HNIs through a Phygital model), and Anand Rathi OFA (Financial Planning tools for IFAs catering to the retail segment) are not only well acclaimed, but are also highly scalable and profitable business models.

**Standardized Solutions:** The model portfolio delivered by the RMs consists of an optimal combination of mutual funds and MLDs making it simple for clients to understand. This combination provides liquidity along with limited risk to clients in the medium term.

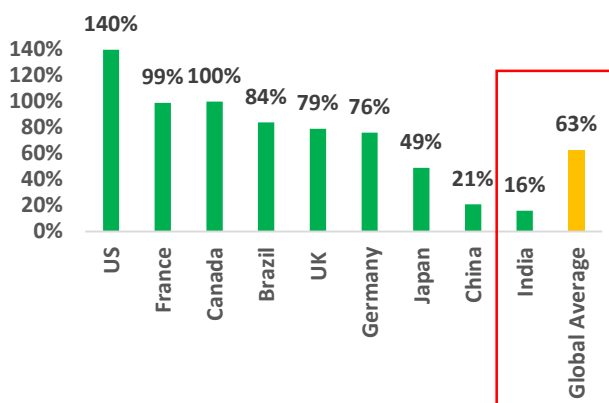
**Focus on Value Added Services:** As part of managing wealth for client, its proposition also includes estate planning, succession planning and creating wills as a part of the core objectives, without any cost to the clients.

**Talent Retention and Entrepreneurial Work Culture:** Company hires Management Graduates/ CAs as account managers. AMs assist relationship managers with their services. As AMs develop their skills, they might eventually become RMs. As of 31st August 2021, AWL had 228 AMs. Over the past 3 years, 58 of them transitioned into RMs.

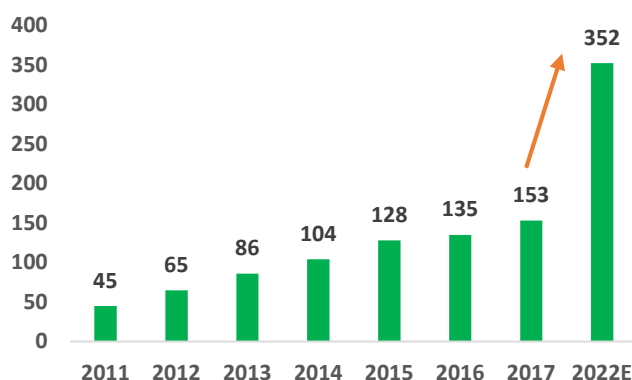
**Valuation and Outlook:** At the upper price band of INR 550, the issue has been valued at a P/BV and a P/E multiple of 9.4x and 51x to its FY21 NAV of INR 58.5 and EPS of INR 10.9 respectively. The company has healthy fundamentals, good return ratios and has recorded strong AUM growth. The pricing of the IPO is a tad expensive compared to its peers. We recommend investors to subscribe for this IPO for listing gains.

## Industry Overview

Indian MF Market is highly underpenetrated  
AUM to GDP (CY20)



Growth in assets of ultra HNIs in India (assets in INR Tn)



India AUM League Table 2020- Non Bank Category		
Rank	Private Wealth Manager	AUM (USD Bn)
1	IIFL Wealth & Asset Management	27.5
2	Edelweiss Wealth Management	19.9
3	Julius Baer	17.5
4	ASK Asset & Wealth Management	9.2
5	JM Financial Wealth Management	7.8
6	Client Associates	4.5
7	Karvy Private Wealth	4.2
8	Ambit Global Private	4.2
9	Waterfield Advisors	3.6
10	Centrum Wealth Management	3.5
11	Anand Rathi Wealth Limited	3.4
12	Avendus Wealth Management	3.3

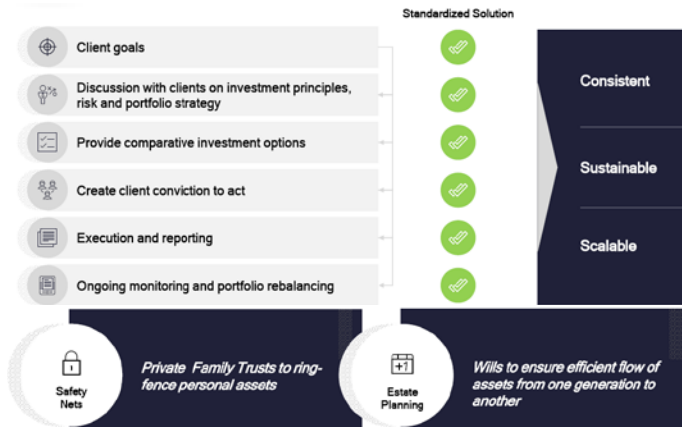
India RM Headcount League Table 2020- Non Bank Category		
Rank	Private Wealth Manager	RM Headcount
1	IIFL Wealth & Asset Management	269
2	Karvy Private Wealth	259
3	Anand Rathi Wealth Limited	240
4	Edelweiss Wealth Management	125
5	Centrum Wealth Management	132
6	Motilal Oswal Private Wealth Management	124
7	Validus Wealth	81
8	ASK Asset & Wealth Management	68
9	JM Financial Wealth Management	65
10	Julius Baer	49
11	Sanctum Wealth Management	40
12	Avendus Wealth Management	40

Mutual Fund Distributors Commission- Non Bank Category FY2020-21 (INR Mn)			
Name of the ARN Holder	Net Inflows	Average Assets	Yield on Average Assets
NJ IndiaInvest Pvt Ltd	4,688	770,050	1.13%
Prudent Corporate Advisory Services Ltd	5,051	249,147	1.06%
Anand Rathi Wealth Limited	-797	111,268	0.89%
Darshan Services Private	141,682	180,272	0.51%
IIFL Wealth Management Limited	-48,478	234,796	0.38%
Julius Baer Wealth Advisors (India) Private Limited	9,105	151,804	0.47%
Bajaj Capital Ltd.	-8,442	90,946	0.72%
Karvy Stock Broking Limited	-15,484	93,022	0.64%
JM Financial Services Limited	-1,407	107,585	0.55%
Geojit Financial Services Ltd	-880	47,104	1.02%

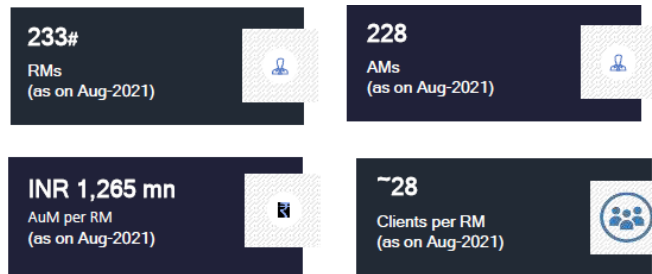
Source: RHP, CARE Advisory Research, Arihant Capital Research

## Business Overview

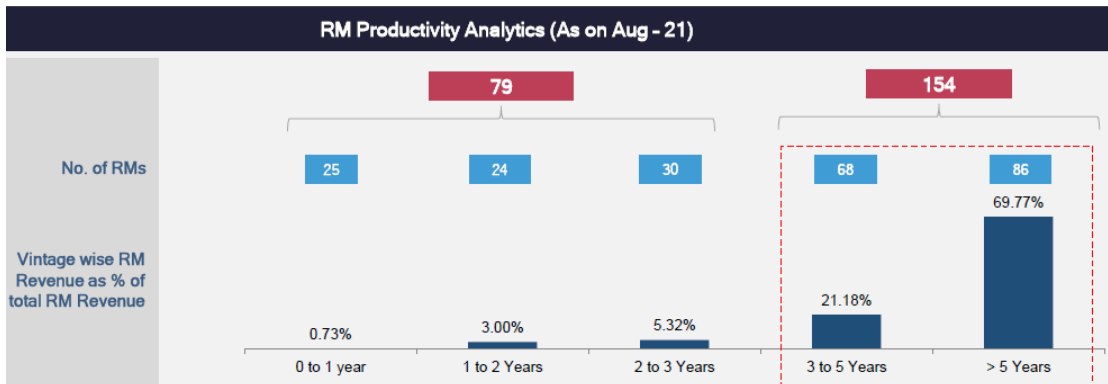
- Core revenue model is Commission on Mutual Funds and Market Linked Debentures. Company's core customer segment is the Mass Affluent- having existing financial assets between INR 1 Mn to INR 50 Mn.
- Total AuM has grown at a CAGR of 22.74% from INR 183.93 Bn as of FY19 to INR 302.09 Bn on 31st August 2022.
- Total AuM of Equity Mutual Funds has grown at a CAGR of 21.03% from INR 80.98 Bn as of FY19 to INR 128.58 Bn as on 31st August 2022.
- Total AuM of MLDs has grown at a CAGR of 42.67% from INR 39.66 Bn as of FY19 to INR 93.79 Bn as on 31st August 2022.
- Equity MF and MLDs consist of 73.61% of the total AuM and have the highest contribution to Revenue.
- They encourage Relationship Managers (RMs) to prepare their own business plans and hire as many Account Managers (Ams) as they need under them. They have no geographical restrictions either. This fosters a 'True Entrepreneurial Culture' amongst RMs.
- 87.02% of the AuM and 90.95% of total RM revenue is contributed by RMs with a vintage of 3+ years.
- During the first 5 months of FY22, the company has achieved 60% of FY21 Revenue and 113.28% of FY21 PAT.
- The weighted average ROE was 28.33% from FY19-21.
- 16.22% of the AuM is from the UHNI Segment (INR 500 Mn and above), 51.5% of the AuM is from the HNI Segment (INR 50 Mn to INR 500 Mn), and 32.28% of the AuM is from the Retail Segment (INR 5 Mn to INR 50 Mn).



- Currently 33.91% of the total RMs are in 0 to 3 years band. The increase in number of RMs of > 3 years vintage is expected to drive revenue growth and significant improvement in productivity in terms of cost per RM. RMs turn profitable between 2 to 3 years in the system.



- The RMs who have spent more than five years in the relationship management role have an average AuM of INR 2.26 Bn as of August 31, 2021. Over the last 3.5 years, they have had 58 AMs who have progressed to the role of RM.



- Their Digital Wealth Proposition “Anand Rathi Digital Wealth” is an attempt to Leverage technology to cater to the mass affluent segment through a phygital model (a combination of human distributors and a technological interface). They seek to build a scalable and profitable model using the same. The Company also launched “Anand Rathi OFA” (Omni Financial Advisors) to cater to the retail segment through a B2B2C model. Launched in Sep-2016, OFA has become India’s #1 tech platform for Individual Fund Advisors (IFAs). OFA provides a co-branded mobile first integrated technology platform to IFAs and their clients thereby, addressing the wide retail segment.

Anand Rathi Digital Wealth		Anand Rathi OFA	
<b>Performance as of August 31, 2021*</b>	<b>Key Highlights</b>	<b>Key metrics<sup>1</sup></b>	<b>Key Functionalities</b>
AuM of INR 7.37 billion 195 Client Engagement Partners 3,491 clients	Core Revenue Model: Commission on Mutual Fund (MF) and gains on Market Linked Debentures  Customer segment: Mass Affluent having existing financial assets: INR 1 million - 50 million	5,062 IFAs  1.63 million Platform clients	Subscription Revenue from IFAs - On subscription, the IFAs receive access to our web portal and mobile application  OFA enables IFAs with unique features such as: <ul style="list-style-type: none"> <li>Client reporting;</li> <li>Business dashboard;</li> <li>Client engagement;</li> <li>Online mutual fund transactions; and</li> <li>Goal planning</li> </ul>

Source: Company IPO Presentation, RHP, Arihant Capital Research

## Key Strategies

- The company will be focusing on increasing their RM count, especially vintage RMs (RMs that stay in the business for 3+ years). The greater is the vintage of a RM, the more capable they are when it comes to garnering clients and increase high yield AuM.
- The company wants to scale their business going forward, by capitalizing on current market opportunities. The number of millionaires in India is expected to reach to 1.27 million, and the country. India has the key ingredients of a high-growth wealth management market, driven by a very large and young mass affluent segment.
- They plan to continue their Brand-building efforts, with an increased digital focus. Most of their leadership team participates in various electronic media discussions around the PW sector. They also intend to increase brand recognition through various brand-building efforts, communication and various promotional initiatives. This will build brand visibility and attract new clients.

## Key Risks

- Some of the Promoter Group entities are involved in similar line of business that may lead to real or potential conflicts of interest with the business.
- The company will not receive any proceeds from the Offer.
- The Company has experienced negative cash flows in some prior periods and may do so in the future, which could have a material adverse effect on the business.

## Peer Comparison (Financials are as on FY21)

Company	Total Income (INR Mn)	P/E (x)	P/BV (x)	Diluted EPS	RoNW%	NAV/ Equity Share
Anand Rathi Wealth Ltd.	2793	50.7	9.4	10.85	18.68	58
IIFL Wealth Management Ltd.	16590	35.7	4.6	41.76	13.06	322

## Management

Key Person	Description
<b>Mr. Anand Rathi</b>	Mr. Anand Rathi is the Chairman and Non-Executive Director and has been associated with the Company since March 18, 2005. He is a gold medalist Chartered Accountant of November 1966 batch from the ICAI. Since completing his Chartered Accountancy over 50 years ago, and prior to joining, he was with Aditya Birla Nuvo Limited, with BSE (where he also held the position of President) and was one of the first directors of Central Depository Services Limited. He has been a regular speaker on various platforms of the ICAI and was a central council member of the ICAI. He is associated with philanthropic organizations including those involved in education.
<b>Mr. Pradeep Gupta</b>	Mr. Pradeep Gupta is a Non-Executive Director. He has been with the Company since March 18, 2005. He holds a Bachelor of Commerce degree from University of Rajasthan and he started his professional journey as a stock broker at Jaipur in 1992, besides being associated with textiles business at Daman Ganga Textiles Private Limited. He has promoted Anand Rathi Share and Stock Brokers Limited (formerly known as Navratan Capital and Securities Private Limited) and thereafter he joined ARFSL (formerly known as Anand Rathi Securities Private Limited) with Mr. Anand Rathi in the year 1998. He has over 30 years of experience in capital markets. He has been selected as a member of Who's Who Historical Society, International Who's Who of Professionals in 2009.
<b>Mr. Amit Rathi</b>	Mr. Amit Rathi is a Non-Executive Director and has been associated with the Company since March 18, 2005. He is a qualified Chartered Accountant from the ICAI and has a Masters' degree in Business Administration from New York University's Leonard N Stern School of Business. 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 our corporate Promoter, ARFSL (formerly known as Anand Rathi Securities Private Limited).
<b>Mr. Rakesh Rawal</b>	Mr. Rakesh Rawal is an Executive Director and the Chief Executive Officer. He has been associated with the wealth management business of Anand Rathi Group since April 2, 2007. He holds a Bachelor of Technology degree in Mechanical Engineering from the Indian Institute of Technology, Kanpur and a Masters' in Management Studies degree from Jamnalal Bajaj Institute of Management Studies. Prior to joining, he worked with Deutsche Bank and Hindustan Lever Limited. He currently focusses on the business development and client acquisition for the private wealth management business.

Source: RHP, Arianth Capital Research

## Financial Performance:

Consolidated Income Statement (INR Mn)	2019	2020	2021
Revenue From Operations	2766	3318	2653
Other Income	76	46	139
<b>Total Revenue</b>	<b>2842</b>	<b>3364</b>	<b>2792</b>
Expenses:			
Employee Benefit Expenses	1322	1666	1508
Finance Costs	61	33	29
Depreciation and Amortisation Expenses	163	210	173
Other Expenses	465	585	447
<b>Total Expenses</b>	<b>2011</b>	<b>2495</b>	<b>2157</b>
<b>Profit Before Tax</b>	<b>831</b>	<b>870</b>	<b>636</b>
<b>Total Tax Expense</b>	<b>247</b>	<b>253</b>	<b>185</b>
<b>Profit After Tax</b>	<b>584</b>	<b>616</b>	<b>451</b>
<b>Other Comprehensive Income/(Loss)</b>	<b>-2</b>	<b>-11</b>	<b>3</b>
<b>Total Comprehensive Income for the period</b>	<b>582</b>	<b>605</b>	<b>454</b>
<b>Basic EPS</b>	<b>15</b>	<b>15</b>	<b>11</b>
<b>Diluted EPS</b>	<b>14</b>	<b>15</b>	<b>11</b>

Consolidated Cash Flow Statement (INR Mn)	2019	2020	2021
Cash Flow From Operations	671	1403	-210
Cash Flow Investing Activities	-423	-1517	748
Cash Flow From Financing Activities	-139	282	-167
<b>Net Cash Generated during the period</b>	<b>108</b>	<b>168</b>	<b>371</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>6</b>	<b>114</b>	<b>283</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>114</b>	<b>283</b>	<b>653</b>

Ratios	2019	2020	2021
Return on Net worth (%)	47.77	33.09	18.68
EBITDA Margin(%)	37.39	33.02	30.00

Consolidated Balance Sheet (INR Mn)	2019	2020	2021
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	75	89	72
Right-of-use Asset	313	251	123
Capital work in progress	0	654	690
Goodwill	29	29	29
Other Intangible assets	79	373	322
Intangible assets under development	317	0	0
Financial Assets	40	1065	1061
Deferred Tax Assets	46	51	45
Other Non Current Assets	286	72	111
<b>Total Non- Current Assets</b>	<b>1184</b>	<b>2585</b>	<b>2453</b>
<b>Current Assets</b>			
Financial Assets	1100	1374	926
Other Current Assets	24	132	15
<b>Total Current Assets</b>	<b>1124</b>	<b>1506</b>	<b>941</b>
<b>TOTAL</b>	<b>2308</b>	<b>4091</b>	<b>3394</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share Capital	135	135	138
Other Equity	1105	1720	2275
Non Controlling Interest	125	116	116
<b>Total Equity</b>	<b>1365</b>	<b>1971</b>	<b>2529</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Financial Liabilities	231	499	313
Provisions	11	22	12
<b>Total Non- Current Liabilities</b>	<b>242</b>	<b>520</b>	<b>325</b>
<b>Current Liabilities</b>			
Financial liabilities	305	1111	220
Other Current Liabilities	66	91	122
Provisions	331	397	198
<b>Total Current Liabilities</b>	<b>702</b>	<b>1599</b>	<b>540</b>
<b>TOTAL</b>	<b>2308</b>	<b>4091</b>	<b>3394</b>

Source: RHP, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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