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Anand Rathi Wealth Limited

ANANDRATHI

PRIVATE WEALTH MANAGEMENT. uncomplicated.

About Company

Incorporated in 1995, AnandRathi Wealth Ltd (“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. ARWL provides services primarily through Private Wealth (“PW”) vertical which has Rs 294.72 bn in Asset under Management (“AuM”) as on August 31, 2021. Under PW vertical it caters to 6,564 active client families, serviced by a team of 233 RMs. And 54.69% of active clients are associated with ARWL for over 3 years, representing 73.55% of total PW AuM. In addition to PW vertical, ARWL has 2 other new age technology led business verticals, i.e., Digital Wealth (“DW”) and Omni Financial Advisors (“OFA”). DW vertical is a fin-tech extension of proposition and addresses the large mass affluent segment of the market with a wealth solution delivered through a ‘phygital channel’. OFA vertical is another strategic extension for capturing the wealth management landscape through which ARWL provide a technology platform for Independent Financial Advisors (“IFAs”) to service clients and grow business. The AuM of the company comprises mutual fund schemes and other financial products such as bonds, MLDs and other securities held by clients own demat accounts. The firms is currently present across 11 cities in India; namely, Mumbai, Bengaluru, Delhi, Gurugram, Hyderabad, Kolkata, Chennai, Pune, Chandigarh, Jodhpur and Noida and one representative office in Dubai.

Recommendation: Subscribe

Price Band	: Rs. 530 to 550 per share
Face Value	: Rs. 5
Bid Lot size	: 27 Shares
Issue size	: Rs. 660 Cr
Issue Opens	: December 02 nd 2021, Thursday
Issue Closes	: December 06 th 2021, Monday
Min App Amount	: Rs. 14,850/- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation:

We believe Anand Rathi Wealth IPO gives investors an opportunity to invest in one of the leading wealth solution firms in India. We are optimistic on the Indian capital markets in the coming few years and we believe this type of organized players in the wealth management field will do well in the long term as the industry is getting bigger. We liked the holistic approach as part of managing wealth for their clients with focus on high-yielding segments of distribution of structured products and mutual funds which generate better yields compared to competition against broking businesses. We see the wealth management concept is catching up faster in India with rising income levels, shift of household savings into investments and growing number of high networth individuals, the need of organized professionals will make good business going forward, ARWL is well placed to tap this demand. On valuations parse at upper price band (Rs 550/-), the issue is asking for a market cap of Rs 2289 Cr and based on FY21 earnings, P/E stands at 50x while If we attribute FY22 annualized earnings on post-issue equity, then the asking price is at a P/E of 18x which seems the issue is reasonably priced and believe there is something is left on the table. We also feel concern on the issue as it is entirely an offer for sale (OFS) exercise to exit promoters and existing shareholders and no fresh issue as growth capital. Hence, considering all the rationales like dominant presence in the distribution of financial services and focus on the HNI segment followed by wealth business growth prospects we advise investors to “SUBSCRIBE” with a long term perspective.



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BASIC FINANCIAL DETAILS			
Particulars Rs (in Cr)	2019	2020	2021
Equity Share Capital	13.45	13.51	13.76
Reserves as stated	110.48	172.01	227.54
Net worth as stated	123.94	185.52	241.30
Revenue from Operations	276.59	331.83	265.33
Revenue Growth (%)	-	19.97%	(20.04)%
EBITDA as stated	106.25	111.07	83.76
Profit Before Tax	83.10	86.96	63.58
Net Profit for the period	58.43	61.61	45.10
EPS (Rs)	14.67	15.15	10.98
RONW%	47.77%	33.09%	18.69%
NAV (₹)	30.71	45.76	58.46

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	MCap	FV	Revenue	EPS	NAV	P/E	P/Bv	RoNW
Anand Rathi Wealth	2289	5	279.25	10.98	58.46	50.75x	9.49x	18.68%
IIFL Wealth Management Ltd	13026	2	1659.02	42.24	321.77	35.77x	4.69x	13.06%

Data as on 31st March 2021, MCap as on 02nd December 2021

Source: Company RHP/Cline



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