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IPO Report

18th Dec'24

Snapshot

DAM Capital is the fastest growing merchant bank in India by revenue CAGR from Fiscals 2022 to 2024 with the highest profit margin in Fiscal 2024, among the peers considered . Company is one of the leading merchant banks in India with a market share of 12.1%, based on the number of initial public offerings and qualified institutional placements undertaken by company as the book running lead manager, in Fiscal 2024 . Company provide a wide range of financial solutions in areas of (i) merchant banking comprising equity capital markets (“ECM”), mergers and acquisitions (“M&A”), private equity (“PE”), and structured finance advisory; and (ii) institutional equities comprising broking and research.

VALUATION

Company is bringing the issue at price band of Rs 269-283 per share at p/e multiple of 23x on post issue annualized H1FY25 PAT basis.

Company is the fastest-growing merchant bank in India.. Company has proven execution with in-depth understanding of sectors and products. Company’s Institutional equities platform with comprehensive research and execution capabilities has extensive coverage of corporates, financial sponsors and institutional investors, with repeat business. Company has experienced management and professionals, backed by a majority independent board. Also, company has strong track record of revenue growth and profitability..

Hence Looking after all above , we recommend “Subscribe” on issue.

Price Band (Rs./Share)	269-283
Opening date of the issue	19th Dec '2024
Closing Date of the issue	23rd Dec '2024
No of shares pre issue	70,686,000 Eq Shares
Issue Size	Rs 799-840 Cr
Offer For Sale	29,690,900 Equity Shares
Face Value (Rs/ share)	Rs 2/share
Bid Lot	53
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 14,810,449 Eq Shares)
Non-Institutional	15% of the offer (Approx 4,443,135 Eq Shares)
Retail	35% of the offer (Approx 10,367,316 Eq Shares)
Employee	70,000 Eq Shares
Lead managers	Nuvama Wealth Management
Registrar to the issue	Link Intime India Pvt Ltd.

WHAT WE LIKE

Fastest-growing merchant bank in India

DAM Capital is the fastest growing merchant bank in India by revenue CAGR from Fiscals 2022 to 2024 with the highest profit margin in Fiscal 2024, among the peers considered . Company is one of the leading investment banks in India with a market share of 12.1% based on the number of initial public offerings and qualified institutional placements undertaken by company as the book running lead manager in Fiscal 2024. In the six months ended September 30, 2024 and Fiscal 2024, company book running lead managers to 5 and 17 IPOs and QIPs, respectively. Since the Acquisition, company have consistently improved its market share from 8.2% in Fiscal 2021 to 12.1% in Fiscal 2024 in terms of the number of IPOs and QIPs undertaken as book running lead manager

Extensive coverage of corporates, financial sponsors and institutional investors, with repeat business

Company have long-standing relationships with institutional investors, financial sponsors, corporates and family offices as a result of company’s experienced team and consistent coverage of clients, many of whom have provided company with repeat business. Company develop and maintain long-term relationships with its clients and are dedicated to providing them with a comprehensive range of products and services. This helps company successfully navigate through periods of market volatility.

Strong track record of revenue growth and profitability

DAM Capital is the fastest growing merchant bank in India by revenue CAGR from Fiscals 2022 to 2024 with the highest profit margin in Fiscal 2024, among the peers considered . Company’s total income and profit for the year increased from ₹945.08 million and ₹218.98 million, respectively, in Fiscal 2022 to ₹1,820.00 million and ₹705.23 million in Fiscal 2024 respectively, representing a CAGR of 38.77% and 79.46%, respectively. Company’s total income and profit for the six months period ended September 30, 2024 was ₹1,095.82 million and ₹437.80 million, respectively.



COMPANY BACKGROUND

Company focus on the Indian capital markets, one of the most dynamic and high growth organised markets in the world. Company leverage its deep domain knowledge across sectors and products combined with vast experience of company's team to provide strategic advisory and capital markets solutions to its diverse and marquee clientele including corporates, financial sponsors, institutional investors and family offices. From the date of the Acquisition i.e., November 7, 2019 till October 31, 2024, company have successfully executed 72 ECM transactions comprising 27 initial public offerings ("IPOs"), 16 qualified institutions placements ("QIPs"), 6 offer for sale ("OFS"), 6 preferential issues, 4 rights issues ("Rights Issues"), 8 buybacks ("Buybacks"), 4 open offers ("Open Offers") and 1 initial public offer of units by a real estate investment trust ("REIT").

Company have also advised on 23 advisory transactions including M&A advisory, private equity advisory and structured finance advisory and have also executed block trades since the Acquisition i.e. from November 7, 2019 till October 31, 2024. The institutional equities business, as of October 31, 2024, comprises of 29 employees in research and 34 employees in company's broking team. They service 263 active clients including registered FPIs spread across geographies such as India, USA, UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, Middle East and South Africa. Under the leadership of Dharmesh Anil Mehta, a merchant banker with over 25 years of work experience, company has achieved rapid growth with the total income being ₹1,820.00 million, ₹850.41 million and ₹945.08 million for Fiscals 2024, 2023 and 2022, respectively, representing 38.77% CAGR over the same period. The total income for the six months ended September 30, 2024 was ₹1,095.82 million. Company's profit after tax was ₹705.23 million, ₹86.74 million and ₹218.98 million for Fiscals 2024, 2023 and 2022, respectively, representing a 79.46% CAGR over the same period. Company's profit after tax for the six months ended September 30, 2024 was ₹437.80 million. Company has declared a dividend of Nil, ₹35.34 million, ₹14.14 million and ₹21.21 million to its shareholders during the six months ended September 30, 2024 and Fiscals 2024, 2023 and 2022, respectively. Company have achieved this growth by capitalising on strong relationships with its clients and its execution capabilities, successfully completing various landmark transactions, while navigating through market volatility.

India is projected to almost double its nominal GDP by Fiscal 2030 . In Fiscal 2024, the equity markets in India have achieved record levels in terms of market capitalisation of listed companies and the 175 benchmark index performance. India's market capitalisation rose by a strong 52% year-on-year to ₹394 trillion as of March 31, 2024, marking it the second highest growth in a year in the last 14 years . DAM Capital is strategically positioned to capitalize on India's growth story. By leveraging its deep industry expertise, robust research capabilities, and large investor distribution network in its institutional equities business, company provide tailored solutions to its clients. Company's client retention demonstrates its personalized, solution oriented approach and company's proven execution capabilities.

Company's intellectual capital is the cornerstone of its success, which allows company to be well-informed about market opportunities and adapt its business strategies efficiently. As on October 31, 2024, company had a team of 121 employees across businesses comprising seasoned personnel with experience in executing transactions across product lines and sectors. Company's senior team is extensively involved in building client relationships and structuring and executing company's clients' transactions. Company's team has an average of over 15.7 years of work experience with 54 of 121 employees having over 18 years of work experience.

Company is backed by marquee investors with varied backgrounds and a diverse board of directors. Company's board of directors comprises industry leaders, financial experts and thought leaders from different sectors. Their combined expertise contributes to its strategic decision-making, fosters innovation and ensures strengthened governance.

Company's wholly-owned Subsidiary, DAM Capital (USA) Inc. ("DAM USA") is incorporated in New York, USA on August 3, 2009 as a broker-dealer with the Financial Industry Regulatory Authority ("FINRA") with registration number CRD# 154945 and the Securities Investor Protection Corporation ("SIPC") and is also regulated by the Securities and Exchange Commission ("SEC"). DAM USA is also registered with SEC vide a registration number SEC# 8-68685. It obtained the registration on September 15, 2011. Through its Chaperoning Arrangement with DAM USA, company is able to broaden its access to serve clients in the United States of America and offer Rule 144A issuances of Indian companies to institutional investors in the United States of America.

Company commenced its operations in the securities market in 1993 as S.S. Kantilal Ishwarlal Sharebrokers and Investors Private Limited. In 1994, company rebranded and operated under the name S.S. Kantilal Ishwarlal Securities Private Limited ("SSKIPL"). In 2006, Infrastructure Development Finance Company ("IDFC") commenced the acquisition of SSKIPL which culminated in 2008. In 2019, IDFC group divested its entire stake, which was acquired by Dharmesh Anil Mehta and other investors. Subsequently, in July 2020, company's name was changed to DAM Capital Advisors Limited.



INVESTMENT RATIONALE

<p><i>Proven execution with in-depth understanding of sectors and products</i></p>	<p>Company have 40 employees in its merchant banking team, with 9 employees having over 18 years of work experience. Company’s understanding and expertise across sectors and products enable company to identify niche sub-sectors and product opportunities early. Early market insights enable company to pitch appropriate products to its clients. Further, company’s deep sector understanding allows it to identify unique stories which company is able to bring to the market. Company have consummated transactions across sectors including pharmaceuticals, infrastructure, manufacturing, retail, technology, financial services and healthcare.</p>
<p><i>Institutional equities platform with comprehensive research and execution capabilities</i></p>	<p>Company’s institutional equities platform is characterized by its comprehensive research and an experienced sales and trading team, providing services to its clientele across investor categories. The key aspects of company’s institutional equities platform are as follows: Research: Company’s research coverage includes fundamental research, macro-economic research and differentiated products such as thematic research, weekly insights and research as per client’s requirements. Sales: Company’s sales team covers geographies including India, USA, UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, Middle East and South Africa. Based on the deep understanding of client needs and investment philosophy, its sales team does targeted and customised marketing of research products and also helps clients with corporate and lateral access, as well as data analysis. Sales trading: Company’s sales trading team has execution abilities across cash segment including blocks and derivatives segment. One of company’s key strengths is to facilitate investor interactions and liaise between corporates and investors through conferences, roadshows and expert calls. Company have organized events and conferences in emerging sectors such as data centres, semiconductors and smart meters. The relationship with company’s clients is built based on services provided by company which includes research services, corporate access, conferences and execution services. Most of the clients have internal rating systems with sell-side intermediaries they work with. The ratings are compiled basis all the above services mentioned – votes are given to analysts covering specific sectors, salespersons, sales traders, and corporate access including events. Many clients may or may not share a formal voting result of such ratings. Basis this voting, clients allocate the quantum of brokerage to be distributed amongst different intermediaries</p>
<p><i>Extensive coverage of corporates, financial sponsors and institutional investors, with repeat business</i></p>	<p>Company have long-standing relationships with institutional investors, financial sponsors, corporates and family offices as a result of its experienced team and consistent coverage of clients, many of whom have provided company with repeat business. Company develop and maintain long-term relationships with its clients and are dedicated to providing them with a comprehensive range of products and services. This helps company successfully navigate through periods of market volatility.</p>
<p><i>Experienced management and professionals, backed by a majority independent board</i></p>	<p>Company have an experienced executive team comprising senior industry leaders with deep domain expertise. Company’s management team is led by its Promoter, Dharmesh Anil Mehta, with over 25 years of work experience. He has built strong corporate and investor relationships and has been a part of a number of marquee transactions in India.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) to carry out the Offer for Sale of up to 29,690,900 Equity Shares of face value of ₹2 each by the Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges

RISKS

Company operate in a highly regulated environment which is subject to changes in laws and, regulations and government policies. Further, company is required to maintain various licences and permits for its business from time to time. Any failure or delay in obtaining or renewing licences or permits or non- 29 compliance to the changing laws may adversely affect company's business, financial condition and results of operations.

Source:RHP

INDUSTRY OVERVIEW

The broking industry size in India is estimated at ~ Rs 390-410 billion as of fiscal 2024 and expected to grow at 16-18% over the medium term

The Broking Industry has seen strong growth over the last three years aided by the robust performance of capital markets. The Domestic Broking Industry registered around 44% CAGR growth during Fiscal 2020 to Fiscal 2024. The Active Client Base on NSE increased at 38.1% CAGR from 8.8 million in March 2019 to 44.2 million in March 2024.

Further, the industry is being driven by the flow from institutional investors. FIIs and DIIs have been looking at India as a high growth and high return market. Inflows from institutions majorly drive the capital market and therefore expand the activities in the market.

Growth drivers for the broking industry

Demographics profile to aid folio growth in capital markets

Of India's population, more than 60% is in the working age group, which is 19-59 years of age, and is expected to remain above 60% for one more decade. CRISIL MI&A estimates that approximately 90% of Indians are still below the age of 60 in calendar year 2021 and that 63% of them are between 15 and 59 years. In comparison, in calendar year 2020, the United States (US), China and Brazil had 77%, 83% and 86%, respectively, of their population below the age of 60. Further with regards to long-term investment products, the increase in life expectancy and aspirations of the working population (for example, need to build a strong corpus before retirement) is also increasing, leading to more focus on equity investments in capital markets.

India's growth prospects are encouraging leading to higher participation from institutional clients

India's equity market is witnessing increased participation from institutional investors, driven by strong economic growth, corporate earnings, and favorable government policies. The country's expanding consumer base, digitalization, and financial sector reforms are enhancing market potential, making Indian equities an attractive investment opportunity for both domestic and global institutions. The strong inflows in Indian equities in recent year by can be attributed to significant gains delivered by the market throughout the year reaching multiple all-time highs, encouraging domestic as well as foreign institutional investors to be part of India growth story.

AUM of mutual funds

Overall mutual fund AUM increased from around Rs. 23,796 billion in fiscal 2019 to Rs. 53,402 billion at end of Fiscal 2024 logging CAGR of 17.5% between the fiscal 2019 and 2024. SIP amount (monthly average) has also increased from Rs 77.2 bn in FY19 to Rs 166.0 bn in FY24. Total SIP amount has increased from Rs 926.9 billion in FY19 to Rs 1,992.2 billion in FY24 registering CAGR of 16.5%.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	933.68	849.26	1800.42	1077.52
Total Expenditure (B)	602.39	666.98	789.83	472.23
EBIDTA	331.29	182.28	1010.59	605.29
EBIDTA Margin	35.48	21.46	56.13	56.17
Other Income	11.40	1.15	19.58	18.30
Depreciation	50.71	53.78	63.37	31.37
EBIT	291.98	129.65	966.80	592.22
Interest	11.52	10.99	12.12	6.51
PBT	280.46	118.66	954.68	585.71
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	280.46	118.66	954.68	585.71
Exceptional	0.00	0.00	0.00	0.00
PBT	280.46	118.66	954.68	585.71
Tax	61.48	31.92	249.45	147.91
PAT	218.98	86.74	705.23	437.80
NPM	23.45	10.21	39.17	40.63
ROE%	26.99	9.89	44.98	22.22
EPS	3.10	1.23	9.98	6.19
Eq Cap	141.37	141.37	141.37	141.37
Net Worth	879.72	951.26	1,626.11	2,024.96

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Company</i>	<i>2.00</i>	<i>9.98</i>	<i>--</i>	<i>44.98</i>	<i>22.18</i>
Peers					
ICICI Securities Limited	5.00	52.51	17.06	43.25	121.31
IIFL Capital Services Limited	2.00	16.73	20.98	28.71	58.09
JM Financial Limited	1.00	4.29	32.66	0.25	115.70
Motilal Oswal Financial Services Limited	1.00	41.16	23.57	27.89	147.12

(Source: RHP)



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