



ANAND RATHI



**Anand Rathi Share And Stock Brokers Ltd**

## Anand Rathi Share And Stock Brokers Ltd

Rating <b>NEUTRAL</b>	Issue Opens On <b>Sept 23, 2025</b>	Issue Closes On <b>Sept 25, 2025</b>	Listing Date <b>Sept 30, 2025</b>	Price Band (INR) <b>393 - 414</b>	Issue Size (INR Mn.) <b>7,450</b>
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### Company Overview:

Anand Rathi Share and Stock Brokers, is a full-service brokerage house in India, with more than three decades of operational experience in the financial services industry. It is a part of “Anand Rathi Group” which offers a diverse range of solutions including broking, wealth management, distribution, lending, insurance broking, asset management, and investment banking.

The company service offering includes broking, margin trading facilities, and the distribution of investment products such as mutual funds, AIF, PMS, fixed deposits, bonds and others, through both relationship managers and digital platform to a wide variety of clients such as retail investors, high-net-worth individuals, ultra-high-net-worth individuals, and institutions.

The companies boasts a broad base of ~221.5k active clients and ~886.6K registered clients (as of Mar'25). Over the years it has built a multi-channel presence across 54 Indian cities and a network of AP's (Authorized Persons) operating across 290 cities with a robust suite of digital platforms.

### Outlook:

Over its operational history of three decades, it has built entrenched client relations through a robust suite of digital platforms, which helps it to maintain the highest average revenue per client of INR 29,347 in FY25 (in the broking industry), driven by its mature customer base and personalized engagement approach.

Led by digital innovation with traditional client servicing strengths, the company has reinforced its competitive strength in the Indian broking industry, with revenue and net profit growth of 34.5% and 65.7% CAGR over FY23-25.

Anand Rathi Share and Stock Broker's initial issue is priced at 25.1x TTM P/E, compared to 17.4x TTM P/E for Angel One and diversified peer average of 17.9x TTM P/E. On comparing the financial performance and valuation of the Company with the peers, we believe the issue is fully priced in. We believe the Company to perform well, along with other brokers led by increasing financialization and higher retail participation trend in India. We assign a “NEUTRAL” rating to the initial issue.

Particulars (INR Mn.)	FY23	FY24	FY25
Revenue	4,673	1,260	1,280
EBITDA	1,145	2,306	3,109
EBITDA Margin (%)	24.5%	33.8%	36.8%
Profit After Tax	377	773	1,036

Source: IPO Prospectus, DevenChoksey Research

### OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn..)	18.0
Fresh issue (# shares) (Mn..)	18.0
Offer for sale (# shares) (Mn..)	0
Price band (INR)	393 – 414
Post issue MCAP (INR Mn..)	25,023 – 25,962

Issue	# Shares	INR Mn..	%
<b>QIB</b>	89,97,585	Max 3,725	Not more than 50%
<b>NIB</b>	26,99,275	Min 1,118	Not less than 15%
<b>Retail</b>	62,98,309	Min 2,680	Not less than 35%
<b>Net Offer</b>	1,79,95,169	7,450	100%

Shareholding Pattern	Pre Issue (%)	Post Issue (%)
Promoters	98.06%	69.92%
Public	1.94%	30.08%
<b>Total</b>	100.0%	100.0%

Objects of the Offer	INR Mn..
1. Funding long-term working capital requirements of the Company	5,500
2. General corporate purposes	1,950

### BRLM

- Nuvama Wealth Management Ltd
- DAM Capital Advisors Ltd
- Anand Rathi Advisors Ltd

### Indicative Timetable

Offer Closing Date	Thursday, Sept 25, 2025
Basis of Allotment	Friday, Sept 26, 2025
Initiation of Refunds	Monday, Sept 29, 2025
Credit of Shares to Demat	Monday, Sept 29, 2025
Listing Date	Tuesday, Sept 30, 2025

Source: IPO Prospectus

### RESEARCH ANALYST

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## **Anand Rathi Share And Stock Brokers Ltd**

### **Industry Overview**

#### **Capital Market in India**

India's capital markets have grown into a cornerstone of the financial system, ranking among the largest globally with the BSE and NSE placed 6<sup>th</sup> and 7<sup>th</sup> by market capitalization (as of Jun'25). Post-pandemic, the Sensex and Nifty delivered strong compounded growth, driven by SEBI reforms, increased transparency, and a shift in household savings toward instruments like mutual funds, whose share in gross savings rose from 0.9% in FY12 to 7.0% in FY24.

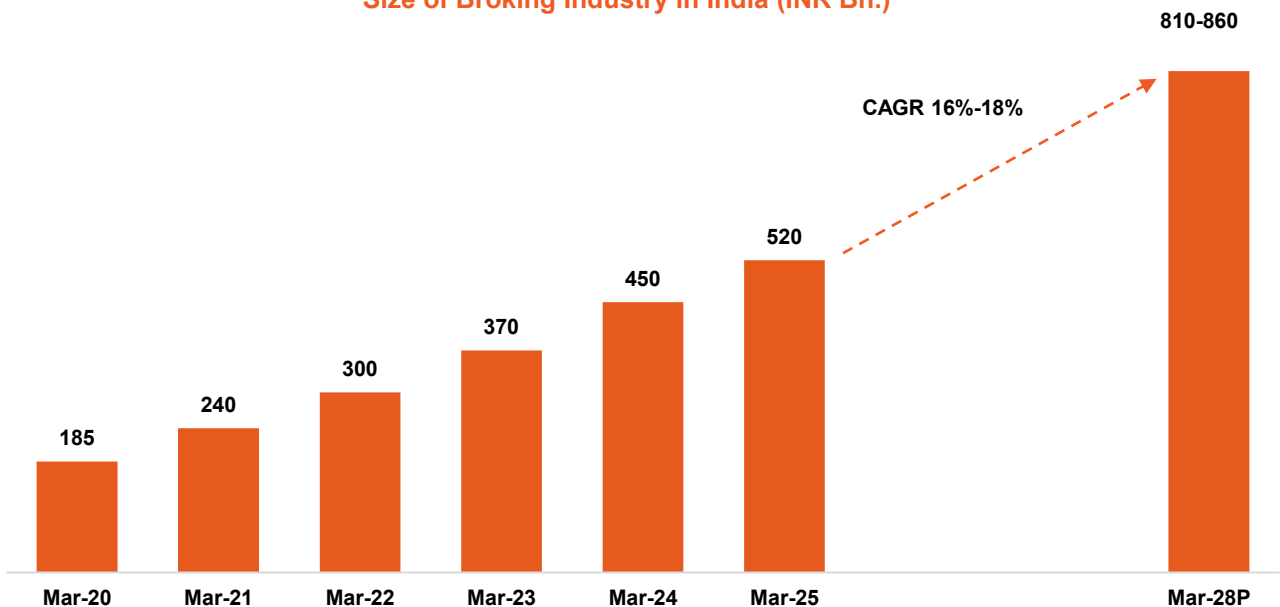
Investor participation has expanded, with 47.9 Mn.. active NSE clients and domestic institutions emerging as a stronger avenue of growth than FPI/FII. Market activity has surged with daily turnover increasing more than 2x since FY20, led by robust growth in primary market on account of healthy fund-raising.

The Indian broking industry was valued at INR 520bn as of FY25 and is expected to witness a stronger growth of 16.0–18.0% CAGR over FY25-28E, to reach INR 810-860bn by FY28E. Despite near term challenges remain from market, credit, liquidity, regulatory, and operational risks, the healthy growth traction is anticipated on the backdrop of stronger activity in Indian capital markets.

#### **Broking Industry in India:**

- The broking industry in India serves as a vital intermediary within the financial ecosystem, connecting investors with capital markets and facilitating the smooth exchange of securities such as equities, bonds, commodities, and currencies. Brokers play a central role in sustaining market depth and building stronger investor confidence; by ensuring adequate liquidity to support efficient price discovery mechanism and provide effective capital allocation.
- The industry is highly competitive and fragmented, comprising of both large full-service brokers that offer research, advisory, and wealth management services, as well as discount brokers that focus on low-cost digital execution.
- Over time, the sector has transformed, led by deployment of technology with introduction of online platforms, algorithmic tools, and mobile trading applications, to reshape and redefine, how investors engage with markets.
- Improvement in technology and higher digitalization has reduced transaction costs and have expanded reach beyond metropolitan areas and has helped brokers to adapt quickly to evolving investor needs, regulatory standards, and market innovations.

#### **Size of Broking Industry in India (INR Bn.)**



Source: IPO Prospectus, Deven Choksey Research

## Anand Rathi Share And Stock Brokers Ltd

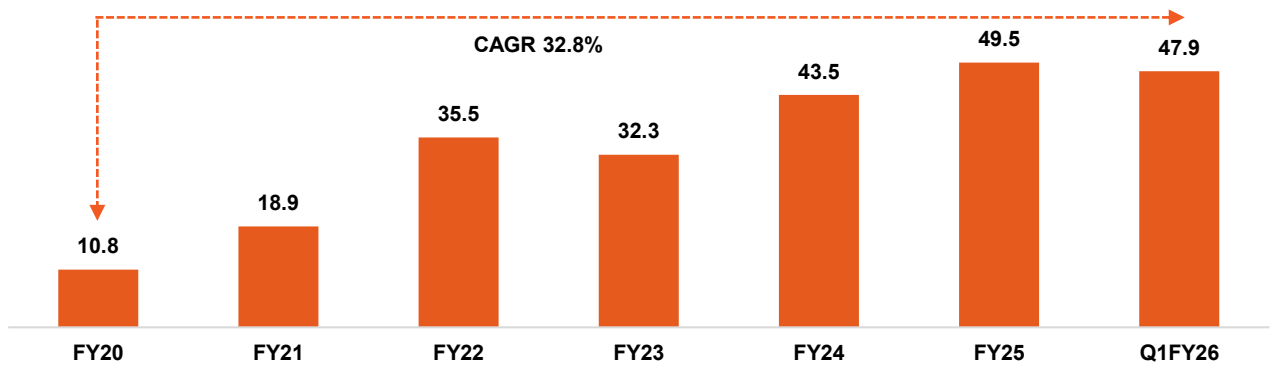
### Industry Overview

#### Market Participants and Trends

The Indian capital market industry has experienced an exponential surge in investor activity over a short period, driven by higher retail participation. Active clients on the NSE have witnessed a stronger traction and have grown from 10.8 Mn. in FY20 at 32.8% CAGR to reach 47.9 Mn. as of Q1FY26, driven by simplified and faster onboarding on account of higher digitalization.

Retail participation has also increased sharply in the derivatives segments, though SEBI's 2025 study highlighted that ~91.0% of individual traders incurred losses in equity derivatives, which may trigger tighter regulation. Ownership patterns indicate strong institutional presence, with FPIs holding ~35.0% and domestic mutual funds holding ~21.0% of free-float market capitalization, underscoring the growing appeal of professionally managed investments.

**Number of Total Active Accounts in India (Mn.)**



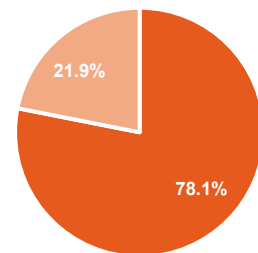
Source: IPO Prospectus, Deven Choksey Research

### Types of Brokers

India has a very fragmented broking landscape, with nearly 4,900 SEBI-registered brokers in the equity segment (as of Dec'24).

- **Full-Service Brokers** offer research, advisory, wealth management, PMS, mutual fund distribution, and margin funding through both online and offline channels.
- **Discount Brokers** focus on low-cost digital execution with flat-fee structures, attracting younger and first-time investors seeking affordable access to markets.

**Share of Discount Brokers and Full-Service Brokers (Active Clients)**



■ Discount Broker ■ Full-Service Broker

Source: IPO Prospectus, Deven Choksey Research

### Key Segments and Emerging Trends

- **Margin Trading Facility (MTF):** It stood as the fast-growing segment in the broking industry, with the MTF book touching INR 879bn in Jun'25, growing at a CAGR of ~87% since 2020, driven by investor appetite for leveraged positional trades.
- **Commodities & Currencies:** Commodity derivatives turnover has observed a stronger growth of 44.4% CAGR over FY20-25, with MCX commanding a 97.5% market share. Currency derivatives also grew steadily, led by NSE.
- **Value-Added Services:** To build a full-fledged financial platform with a recurring and diversified revenue streams, brokers are rapidly venturing into wealth management, advisory and ancillary products, to move beyond pure transaction-based models.
- **Relationship-Based Broking:** Brokers are pivoting towards trust-driven, personalized client engagement at scale, to prioritize long-term financial goals through generating sustainable returns and drive higher customer retention.

### Regulatory Landscape

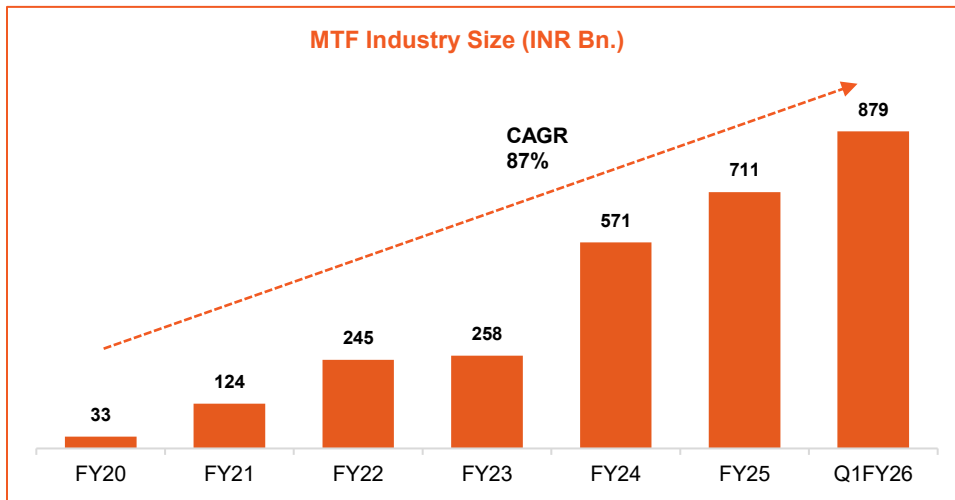
SEBI continues to strengthen its oversight over capital market activities, to improve transparency and safeguard investors. Recently it has introduced, the Qualified Stock Broker (QSB) framework, to identify systemically important players and regulate them with higher compliance standards, introduction of reforms in derivatives trading, by increasing contract sizes, levying higher margin requirements, and uniform transaction fees, to reshape industry dynamics and limit unnecessary unhedged positions.

## Anand Rathi Share And Stock Brokers Ltd

### Industry Overview

#### Margin Trading Facility

- It is a service that enhances an investor's purchasing power by allowing them to borrow funds to trade in the equity cash segment, in turn enabling them to invest higher quantum of funds compared to their individual capacity, supporting portfolio diversification and improving the potential for higher returns, while preserving core capital for long-term investments.
- The MTF facility has witnessed an exceptional growth over last five years, with the overall book has grown from INR 33bn in FY20 at ~87% CAGR to reach 879bn as of Jun'25, driven by rising investor awareness, higher retail participation, favorable market conditions, and SEBI's supportive reforms.
- For brokerage firms, MTF has become a significant revenue stream, contributing ~15.0% to 35.0% of total revenues, improving average revenue per client, and forming a critical part of working capital requirements, all within SEBI's regulated framework of funding caps, leverage limits, and risk management standards.

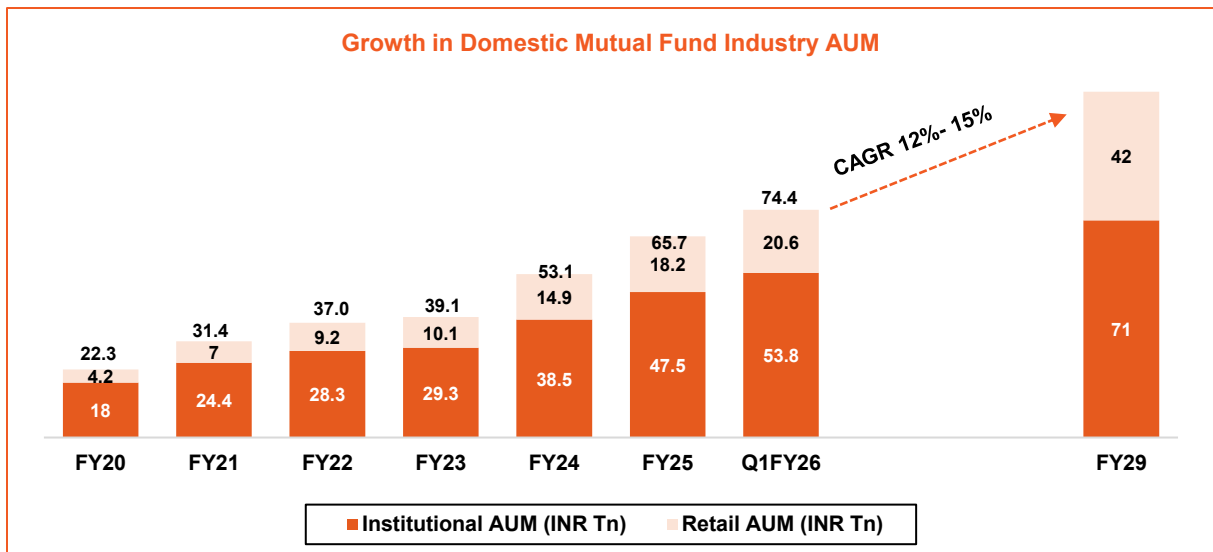


Source: IPO Prospectus, Deven Choksey Research

#### Domestic Mutual Fund Industry

The Indian mutual fund industry has experienced rapid expansion, with its total Assets Under Management (AUM) has grown from INR 22.3tn in FY20 at 24.1% CAGR to reach INR 65.7tn as of FY25.

Moreover, the Aum has increased further to INR 74.4tn as of Q1FY26, led by stronger traction in investor sentiments and consistent inflows driven by growing SIP book and lumpsum flows. The Industry is expected to grow at 12.0%-15.0% CAGR over FY25-29 to reach ~INR113tn by FY29. Indian brokers have increased their focus on MF distribution, to build a more diversified and recurring revenue stream.



Source: IPO Prospectus, Deven Choksey Research



## Anand Rathi Share And Stock Brokers Ltd

### Industry Overview

#### Investor Participation and Key Trends

The financialization of household savings has been a defining trend, with the share of mutual funds in gross household savings has increased exponentially from a mere ~0.9% in FY12 to 7.0% in FY24.

Investor participation has improved over the years which can be clearly observed as

- The total number of mutual fund folios has grown from ~90 Mn.. folios in FY20 at 20.7% CAGR over FY20-25 to reach ~241 Mn.. folios as of Jun'25, on the back of increasing participation of retail investors. Total folios of retail investors have increased from ~81 Mn.. As of FY20 to ~220 Mn. as of Q1FY26, with investments spanning across equity, hybrid, and solution-oriented schemes.
- Consistent increase in retail participation through Systematic Investment Plans (SIPs) method. Over FY20-FY25, the annual investments through SIP mode has grown from INR 1,001bn in FY20 at 23.7% CAGR to reach INR 2,894bn in FY25, represented by ~100.5 Mn. SIPs accounts as of FY25.
- Net inflows into the mutual fund industry has increased consistently from INR 0.9tn in FY20 at 55.4% CAGR to INR 8.2tn in FY25, mainly driven by equity-oriented schemes which contributed ~51.0% to overall FY25 inflows. Moreover, with evolving performances of asset class, overall contribution to total inflows keeps on changing, as debt-oriented schemes accounted for ~56.0% of inflows in Q1FY26, reflecting investor preference for safer assets amid market uncertainty.

#### Mutual Fund Distribution

MF distributors play a central role in driving the industry's growth, with ~87.0% (as of Jun'25) of total individual MF AUM was accounted by distributor led model.

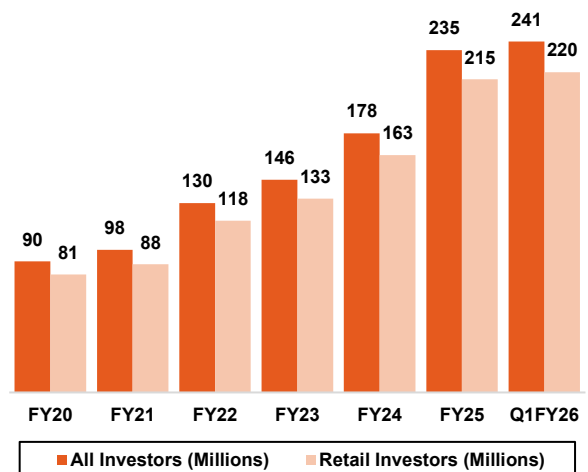
Commissions paid to distributors have grown steadily from INR 61bn in FY20 at 25.0% CAGR to reach INR 149bn in FY24, led by SEBI's 2018 expense ratio reforms, where they were linked to scheme's AUM size. Stronger growth in distributor commission suggest, it forms an integral part of individual and corporate MF distributors, helping them to build a recurring and stable stream of revenue.

#### Regulatory Framework

To drive transparency and investor penetration, the regulator has constantly introduced several reforms including

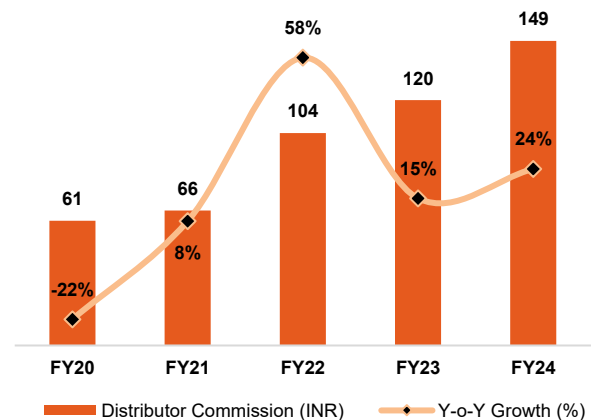
- **For Mutual Funds:** SEBI has established clear investment restrictions to ensure prudent risk management, as MF schemes can't invest more than 10% of their NAV in debt securities from a single issuer, extendable to 12% with board approval. Investments in REIT's and InvIT's are capped at 10.0% of NAV per scheme, with no more than 5.0% in units of a single issuer. In addition, restrictions apply to investments in listed securities of sponsor group companies.
- **For Distributors:** Mutual Fund Distributors (MFDs) are required to pass the NISM Series V-A - Mutual Fund Distributors Certification Examination and register with the Association of Mutual Funds in India (AMFI) to obtain an AMFI Registration Number (ARN). Asset Management Companies (AMCs) must also conduct due diligence on distributors, assessing their AUM, operational scale, and commission structures.

No. of Folio's in Indian MF Industry



Source: IPO Prospectus, Deven Choksey Research

Mutual Fund Distributor Commission



Source: IPO Prospectus, Deven Choksey Research

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The company service offering includes broking, margin trading facilities, and the distribution of investment products such as mutual funds, AIF, PMS, fixed deposits, bonds and others, through both relationship managers and digital platform to a wide variety of clients such as retail investors, high-net-worth individuals, ultra-high-net-worth individuals, and institutions.

The companies boasts a broad base of ~221.5k active clients and ~886.6K registered clients (as of Mar'25). A large proportion of the active client base, over 84.0% are over the age of thirty, reflecting the firm's focus on investors with higher disposable incomes and long-term investment goals. Moreover, the Company has entrenched relations of more than five years with ~45% of its active client base, highlighting strong customer retention, led by high satisfaction and long-term trust.

The company has built a significant multi-channel presence through 90 branches spanning across 54 Indian cities and a network of 1,125 Authorized Persons operating across 290 cities, and a robust suite of digital platforms. Its subsidiary, Anand Rathi International Ventures (IFSC) Private Limited, operates at GIFT-IFSC and provides trading access to non-resident Indians and family offices for international investments.

#### **Segment-wise Revenue Mix (%)**

Segment	FY23	FY24	FY25
Broking and Related Services	67.8%	67.2%	60.3%
Non-Broking Segment (MTF and Distribution)	22.4%	19.4%	22.8%
Other Income from Operations	9.7%	13.4%	16.9%
<b>Total Revenue from Operations</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Revenue from Operations (INR Mn.)</b>	<b>4,678</b>	<b>6,818</b>	<b>8,457</b>

Source: IPO Prospectus, Deven Choksey Research

### **Key Observations**

1. Broking segment includes revenue through trade of equities, F&O, commodities and currencies by its clients, and has grown from INR 4,678 Mn., in FY23 at 26.8% CAGR to reach INR 8,457 Mn. in FY25. Despite the contribution of Broking and related services has declined from 67.8% in FY23 to 60.3% in FY25, it remains the dominant segment. The growth traction in broking segment has under performed the non-broking segment, led by higher focus on diversification of revenue streams.

The growth in brokerage income has been majorly led by stronger traction in equity cash segment, which grew at 46.5% CAGR over FY23-25 to reach INR 2,333 Mn. in FY25, on account of increase of its daily average turnover (ADTO) by 23.7% YoY during FY25. Moreover, led by its strong growth, contribution of equity brokerage in overall brokerage income has increased from 39.6% in FY23 to 54.3% in FY25.

#### **Brokerage Income Split**

Segment (INR Mn.)	FY23	FY24	FY25	CAGR% (FY23-25)
Equity Cash Segment	1,087	1,953	2,333	46.5%
Futures and Options	1,367	1,688	1,767	13.7%
Commodity Trading	100	116	143	19.7%
Currency Trading	188	198	50	-48.2%
<b>Total Brokerage Income</b>	<b>2,741</b>	<b>3,956</b>	<b>4,294</b>	<b>25.2%</b>

Source: IPO Prospectus, Deven Choksey Research

## **Anand Rathi Share And Stock Brokers Ltd**

### **Company Overview**

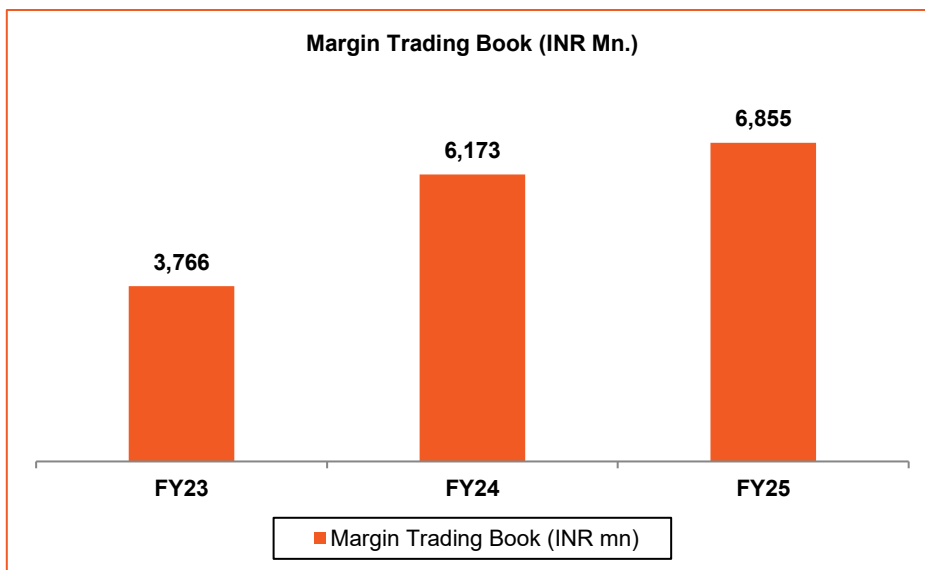
2. The non-broking segment includes revenue from interest on MTF book and distribution income earned on investment products including mutual funds, PMS, AIF and other products. The non-broking revenue has grown at a healthy pace of 35.4% CAGR from INR 1,050 Mn. in FY23 to INR 1,926 Mn. in FY25, outperformed the growth of the broking segment, while its revenue share has remained stable at ~22.8% in FY25.

Stronger growth in non-broking segment has been led by both the components i.e., interest income from the Margin Trading Facility book and distribution income on investment products.

- The Company ventured in the MTF business, mainly to improve customer's wallet share and drive average revenue per client (ARPC), to improve operating leverage and drive overall profitability. MTF remains an integral part of its investment solution offering. The margin trading facility Book has grown at 34.9% CAGR from INR 3,766 Mn. as of FY23 to INR 6,855 Mn. as of FY25. Similarly, the interest income on the MTF book grown at 45.2% CAGR from INR 542 Mn. in FY23 to INR 1,143 Mn. in FY25, on account of increase in book size and improvement in average yield.
- The distribution business focuses on third-party financial products like mutual funds, Alternative Investment Funds (AIFs), structured products, corporate fixed deposits, non-convertible debentures, bonds, and Portfolio Management Services (PMS). Distribution income has too grown at a healthy pace of 24.2% CAGR from INR 508 Mn. in FY23 to INR 783 Mn. in FY25., while the total assets under management (comprising mutual funds, PMS, and AIFs) have witnessed stronger growth of 43.0% CAGR from INR 31.6bn. as of FY23 to INR 64.6bn as of FY25.

Mutual Fund AUD has grown at a steady pace of 36.5% CAGR from INR 26.6bn as of FY23 to INR 49.5bn as of FY25, while the PMS and AIF AUD has grown at a faster pace of 73.9% CAGR from INR 5.0bn. As of FY23 to INR 15.1bn as of FY25.

The distribution income is an important aspect of growth strategy as it is not as inextricably linked to the performance of the securities and commodities markets providing a potentially steady source of revenue even during a downturn.



Source: IPO Prospectus, Deven Choksey Research

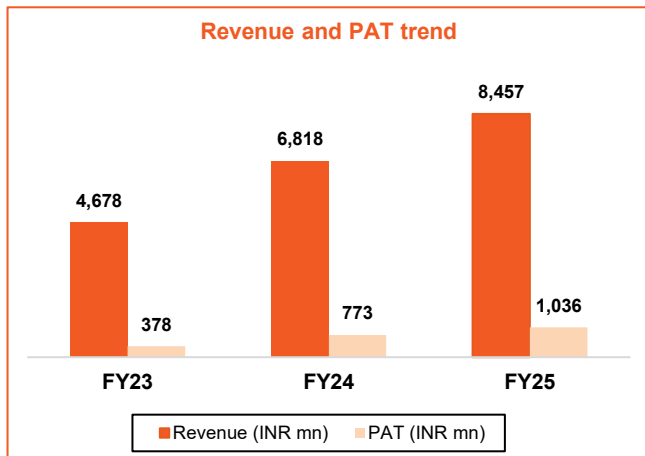


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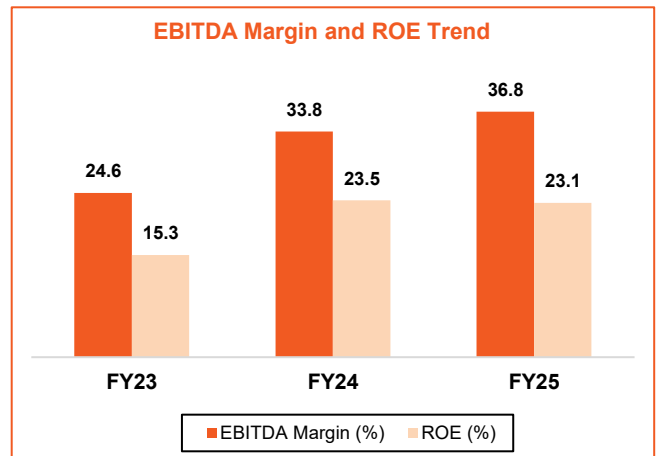
### Company Overview

Overall revenue has grown at a healthy pace of 34.5% CAGR from INR 4,678 Mn. in FY23 to INR 8,457 Mn. in FY25, led by stronger traction in non broking revenue, compared to broking revenue, on account of the Company's higher focus on diversifying strategy.

Further, the EBITDA Margin has witnessed consistent increase from 24.6% in FY23 to 36.8% in FY25, led by increase in contribution of non-broking revenue (has higher margin), leading to improved operational leverage, driven by higher adoption of its digital platforms. Moreover, higher share of MTF business, has also led to improvement in margins. Clients utilizing the MTF facility generated substantially higher average revenue per client than those not using MTF.



Source: IPO Prospectus, Deven Choksey Research



Source: IPO Prospectus, Deven Choksey Research

Particulars (INR Mn.)	FY23	FY24	FY25	CAGR% (FY23-25)
Revenue from Own Branches Channel	2,837	4,016	4,882	31.2%
Revenue from Authorized Persons (B2B Channel)	1,386	1,885	2,147	24.5%

Source: IPO Prospectus, Deven Choksey Research

### Industry Leader in ARPC with Diversified and Digitally-Enabled Broking Model

Anand Rathi has outperformed its peers in the broking industry, for maintaining highest average revenue per client of INR 29,347 in FY25, mainly attributable to the vintage of its client relationships, the mature demographic profile of its customers, and the company's personalized client management approach.

Its broking revenue is highly skewed toward equity cash and derivatives segments, supported by complementary services including algorithmic trading, securities lending and borrowing, and access to initial public offerings.

Its diversified revenue stream, provides strong resilience in a competitive marketplace. The company has strengthened its position by investing in digital platforms such as TradeMobi, TradeExpress, Trade X'Pro, ARInvest, and MF Client, which enable seamless onboarding, trading, portfolio management, and mutual fund investments.

Company (INR)	FY23	FY24	FY25	CAGR % (FY23-25)
ARSSBL	26,012	30,922	29,347	6%
Motilal Oswal Financial Services (MOSFL)	20,897	25,393	24,466	8%
IIFL Capital Services (IIFL CAPS)	15,801	27,063	NA	NA
Geojit Financial Services (GFSL)	8,869	11,486	11,989	16%
Angel One Limited	4,859	4,628	4,360	-5%

Source: IPO Prospectus, Deven Choksey Research

## **Anand Rathi Share And Stock Brokers Ltd**

### **Company Overview**

#### **Client Demographics and Geographic Reach**

- Demography of its active clients reveals that the company is very well able to attract and retain highly experienced and financially capable investors. Out of the total investors ~12.0% of its active clients were below the age of thirty, while ~84.0% were evenly spready over 30-44, 45-59 and above 59 years category. Further, ~4.0% of the total investor base was comprised of corporate and other non-individual entities.
- Similarly, same observation can be witnessed in distribution of the assets under custody trend with individual clients older than thirty years, accounted for over 60% of the firm's total assets under custody of INR 608.2bn.

Age Group	% of Clients	Assets Under Custody (INR Mn.)	% AUC
<30 years	11.5%	8,992	1.5%
30-44 years	33.0%	47,121	7.8%
45-59 years	29.8%	1,41,437	23.3%
≥60 years	21.6%	1,79,424	29.5%
Other Entities	4.1%	2,31,265	38.0%

Source: IPO Prospectus, Deven Choksey Research

- Geographically, its omni-channel presence has enabled it to service clients spanned across all tiers of cities in India. In FY25, ~27.0% of its active clients belonged from Tier-1 cities, while ~18.0% belonged from Tier-2 cities and a majority of ~54.0% belonged from Tier 3 cities and other smaller locations.
- The company serves a small but notable base of international clients, reflecting its ability to reach deep into India's financial markets, particularly among emerging investors in smaller cities, while maintaining a solid foothold in major metropolitan areas.

#### **Geographical client mix (%)**

Location Type	FY23	FY24	FY25
<b>Tier 1 Cities</b>	28.0%	27.6%	27.1%
<b>Tier 2 Cities</b>	15.6%	16.0%	18.4%
<b>Tier 3 &amp; Others</b>	56.4%	56.1%	54.4%
<b>Outside India</b>	0.1%	0.2%	0.1%
<b>Total</b>	100.0%	100.0%	100.0%
<b>Total (Number of Clients)</b>	<b>1,54,470</b>	<b>1,75,699</b>	<b>2,21,510</b>

Source: IPO Prospectus, Deven Choksey Research

Tier-3 and other cities continue to contribute the highest to the overall base of active clients and has remained stable over the years, whereas clients from Tier-2 cities have witnessed a steady increase from 15.6% in FY23 to 18.4% in FY25, reflecting growing penetration in mid-sized markets.

#### **Employee mix and total headcount**

- To support its expansion, the Company has continuously invested in talent and its workforce has grown from 1,746 employees in FY23 to 2,082 employees in FY25.
- Of the total employees, 1,291 employees forms part of the client relationship and sales teams, which are crucial for acquiring and retaining clients in a relationship-based broking model.

Function	Employees
Sales	1,291
Ops & Support	286
Product & Support	256
Research	59
IT	58
Others incl. Mgmt.	132
<b>Total (FY25)</b>	<b>2,082</b>

Source: IPO Prospectus, Deven Choksey Research

**Anand Rathi Share And Stock Brokers Ltd****Strategies :**

- **Higher Focus on improving Average Revenue Per Client (ARPC) through cross-selling across investment solutions**

The Company aims to diversify its revenue stream through offering all its investment solutions broking, margin funding facility, and distribution of investment products, to enhance client convenience and loyalty. Further, it intends to increase its average revenue per client by substantially increase the MTF book, as it improves customer retention. Moreover, the company plans to utilize machine learning to drive higher cross selling of investment products.

- **Strengthen market position by acquiring new clients and retaining existing clients, with a specific focus on Tier 2, Tier 3, and other cities**

It plans to deploy a multi-channel approach, incorporating web and mobile-based trading apps, social media engagement, and targeted digital marketing campaigns, primarily to acquire new clients from Tier-2, Tier-3, and other cities.

- **Investing in Technology to Drive Business Excellence**

The Company plans to improve its focus on digital transformation for product development (introducing innovative offerings), driving higher operational efficiency (through automation, artificial intelligence (AI), and Generative AI (GenAI)), and for improving client user experience (using user-friendly platforms like TradeMobi, TradeExpress, and Trade X'Pro). It plans to utilize its infrastructure to ensure a smooth and efficient client experience by enabling seamless onboarding, trading, portfolio management, and query resolution.

- **Nurturing an entrepreneurial culture and expanding the Relationship Management team**

The company aims to expand its relationship management team and foster an entrepreneurial culture that rewards innovation and performance, particularly by offering uncapped financial upside linked to revenue performance, and to recalibrate the organizational structure to increase the proportion of sales employees relative to service employees, to drive revenue growth and expand market share.

**Risks:**

- **Exposure to Cyber Security and Technical Compliance Failures:**

Following a SEBI inspection in Jan'25, the Company has received a show cause notice regarding deficiencies related to the 'Cyber Security & Cyber Resilience Framework'. Specific issues observed include delays in reporting root cause analysis (RCA), failing to report an unauthorized access incident within the 6-hour required timeframe, absence of Board approval for the information security policy, inadequate password controls, and failure to implement adequate data leakage protection solutions. Adverse orders in these proceedings could harm the company's reputation and financial stability.

- **Dependence on Broking and Margin Trading Facility (MTF) Revenue:**

Broking revenue and interest on the MTF book, accounts for a significant portion of the overall revenues. Decline in market activities led by adverse external economic conditions, regulatory environment and macro factors can significantly impact its revenue from these segments, and in turn its operations and financial performance.

- **Exposure to Credit Risk Arising from Receivables:**

The Company is exposed to credit risk, particularly arising from its day-to-day operations and its lending activities, such as the Margin Trading Facility (MTF). Clients or counterparties may fail to meet their obligations, which can lead to significant financial losses and an increase in non-performing assets.

## Anand Rathi Share And Stock Brokers Ltd

### SWOT Analysis



#### Strengths:

- **Strong Legacy and Brand Recall:** Has built a strong brand recall and legacy over 30 years of broking operations, lending competitive advantage.
- **Diversified Revenue Streams:** Over the last few years, has diversified its revenue stream spanning across broking, margin trading facility, distribution income and income from other financial services.
- **Strong Distribution Network and High Digital Reach:** Has built a strong distribution network of 90 branches spread across 54 cities and 1,125 AP network operational across 290 cities. Moreover, it offers services across user-friendly digital platforms including ARTrade, ARInvest and WhatsApp.
- **Strong Leadership and Deep Research Expertise:** The business is led by experienced promoters, strong board, and a research team of 59 analysts deeply experienced in respective sectors, covering 300+ companies.



#### Weaknesses:

- **Market-Linked Business:** Revenues are highly correlated with market sentiment, and down cycles in the market activity can significantly impact its financial performance.
- **Competitive Pressure:** The Company faces stiff competition from a highly fragmented industry of ~4,900 SEBI-registered brokers.
- **Regulatory Burden:** Ongoing SEBI and exchange proceedings on compliance, onboarding lapses, and cyber reporting issues, can impact its operations.



#### Opportunities:

- **Strong Industry Tailwind:** It is well positioned to capitalize the strong growth in broking industry, which is expected to grow at ~16.0–18.0% CAGR, driven by increase in tech-savvy population, who is keen on adopting digital investments.
- **Growing and long-tenured Client Base:** The Company has witnessed a strong growth in its active client base which has increased from 154.5k in FY23 to 221.5k in FY25, and is expected to increase further, led by its entrenched relations with customers.
- **Higher Cross-Selling Potential:** The Company plans to increase its relationship management and sales team to expanding advisory and distribution services, to capture higher client wallet share.
- **Technology Edge:** Plans to deploy AI/GenAI for personalized advisory, compliance automation, for enhancing client engagement and user experience.



#### Threats:

- **Discount Broker Disruption:** The Company may witness higher competitive intensity from low-cost and discount brokers, attracting young and first-time investors.
- **Regulatory Risks:** The Company's operations may get impacted by adverse regulatory orders, levy of penalties, or promoter disqualification.
- **Brand Vulnerability:** Allegations and compliance failures could erode the strong brand recall value.
- **Talent Attrition:** Higher attrition in among the KMP, leadership and leadership can threaten its stability and strategic execution.

## Anand Rathi Share And Stock Brokers Ltd

### Peer Analysis

In INR Mn. (FY25)							
Peers	Anand Rathi Share And Stock Brokers	Aditya Birla Money	Angel One	Monarch Network Capital	IIFL Capital Services	Nuvama Wealth Management	Motilal Oswal Financial Services
Market cap	25,962	10,237	2,03,905	26,309	89,975	2,29,503	5,54,208
Enterprise Value	33,274	10,811	1,25,608	19,607	65,261	1,17,712	6,24,185
Sales	8,454	4,587	52,372	2,809	24,368	41,402	76,929
Sales Growth (YoY)	24.0%	14.3%	22.4%	8.4%	12.4%	33.2%	30.0%
EBITDA	3,109	2,386	19,660	2,146	10,808	22,432	46,109
EBITDA Margin (%)	36.8%	52.0%	37.5%	76.4%	44.4%	54.2%	59.9%
Net profit	1,036	742	11,721	1,493	7,123	9,862	25,016
Profit Margin (%)	12.3%	16.2%	22.4%	53.1%	29.2%	23.8%	32.5%
Total Equity	5,038	2,361	56,214	7,968	25,072	34,901	1,10,793
ROE (%)	20.6%	37.2%	27.1%	26.1%	33.2%	30.9%	25.3%
ROIC (%)	20.3%	23.8%	27.0%	25.8%	30.0%	14.6%	18.0%
P/E	25.1x	13.8x	17.4x	17.6x	12.6x	23.3x	22.2x
P/S	3.1x	2.2x	3.9x	9.4x	3.7x	5.5x	7.2x
EV/EBITDA	10.7x	4.5x	6.4x	9.1x	6.0x	5.2x	13.5x
EV/Sales	3.9x	2.4x	2.4x	7.0x	2.7x	2.8x	8.1x
Net Debt / EBITDA	2.4x	0.0x	-4.3x	-3.1x	-2.7x	0.0x	0.0x
Net Debt / Equity	1.5x	0.0x	-1.5x	-0.8x	-1.2x	0.0x	0.0x

Source: IPO Prospectus, FactSet, Company, Deven Choksey Research

## Anand Rathi Share And Stock Brokers Ltd

### Outlook :

Anand Rathi Share and Stock Brokers, a part of “Anand Rathi Group”, is a **full-service brokerage house in India, offering diverse range of solutions** including broking, wealth management, distribution, lending, insurance broking, asset management, and investment banking, and caters to a variety of client base including **retail investors, high-net-worth individuals, ultra-high-net-worth individuals, and institutions.**

Over its operational history of three decades, it has built a **broad base of ~221.5k active clients** and **~886.6K registered clients** (as of Mar’25), serviced through a multi-channel **distribution network of 90 branches spanning across 54 Indian cities** and a **network of 1,125 Authorized Persons operating across 290 cities**, and a robust suite of digital platforms. Among the broking industry, **it has the highest average revenue per client of INR 29,347 in FY25**, driven by its mature customer base and personalized engagement approach.

Although its broking income **remains anchored towards equity cash and derivative category**, the Company has supplemented its product offering including securities lending and IPO access. Moreover, it has made **several strategic investments in digital platforms including TradeMobi, TradeExpress, Trade X’Pro, ARInvest, and MF Client**, to improve client onboarding experience, and portfolio management.

Led by **digital innovation with traditional client servicing strengths**, the company has reinforced its competitive strength in the Indian broking industry, **with revenue and net profit growth of 34.5% and 65.7% CAGR over FY23-25**. Through its initial issue, the Company **plans to raise ~INR 7.5bn through fresh issue of equity shares, to fund its working capital requirement of INR 5.5bn for growing its MTF book** and rest for general corporate purpose.

Anand Rathi Share and Stock Broker's initial issue **is priced at 25.1x TTM P/E**, compared to **17.4x TTM P/E for Angel One and diversified peer average of 17.9x TTM P/E**. On comparing the financial performance and valuation of the Company with the peers, we **believe the issue is fully priced in**. We believe the Company to perform well, along with other brokers led by increasing financialization and higher retail participation trend in India. We assign a “**NEUTRAL**” rating to the initial issue.

### Relative Valuation

Company Name	CMP (INR)	Market Cap (INR Mn.)	Revenue CAGR	PAT CAGR	EBITDA Margin	EV/EBITDA		P/E		ROE
			Last 2 FY	Last 2 FY	FY25	FY25	TTM	FY25	TTM	FY25
Anand Rathi Share And Stock Brokers	414	25,962	34.5%	65.7%	36.8%	10.7x	10.7x	25.1x	25.1x	20.6%
Listed Peer										
Angel One	2,252	2,03,905	32.0%	14.7%	37.5%	6.6x	6.4x	17.8x	17.4x	27.1%
Listed Diversified Peer										
IIFL Capital Services	290	89,975	33.1%	68.7%	44.4%	3.8x	6.0x	9.5x	12.6x	33.2%
Monarch Network Capital	330	26,309	38.2%	86.4%	76.4%	8.5x	9.1x	17.4x	17.6x	26.1%
Nuvama Wealth Management	6,419	2,29,503	38.0%	79.8%	54.2%	4.5x	5.2x	22.1x	23.3x	30.9%
Aditya Birla Money	181	10,237	27.0%	47.9%	52.0%	4.1x	4.5x	12.5x	13.8x	37.2%
Motilal Oswal Financial Services	953	5,54,208	33.2%	63.9%	59.9%	9.1x	13.5x	14.7x	22.2x	25.3%
<b>Mean</b>			<b>33.9%</b>	<b>69.3%</b>	<b>57.4%</b>	<b>6.0x</b>	<b>7.7x</b>	<b>15.2x</b>	<b>17.9x</b>	<b>30.5%</b>
<b>Median</b>			<b>33.2%</b>	<b>68.7%</b>	<b>54.2%</b>	<b>4.5x</b>	<b>6.0x</b>	<b>14.7x</b>	<b>17.6x</b>	<b>30.9%</b>

Source: Factset, IPO Prospectus, Deven Choksey Research and Analysis



## **Anand Rathi Share And Stock Brokers Ltd**

### **Financials :**

Income Statement (INR Mn.)	FY23	FY24	FY25	Cash Flow (INR Mn..)	FY23	FY24	FY25
Interest Income	1,312	2,151	3,212				
Fees and Commission Income	3,361	4,667	5,242	Net Cash Flow from Operating Activities	151	1,869	6,918
<b>Total Revenue</b>	<b>4,673</b>	<b>6,818</b>	<b>8,454</b>	Net Cash Flow from Investing Activities	(1,367)	(5,993)	(5,774)
Fees and commission expense	945	1,260	1,280	Net Cash Flow from Financing Activities	1,081	4,186	(1,123)
Operating Expenditure	2,582	3,252	4,064	Net Increase/(Decrease) in Cash	(134)	62	21
<b>EBITDA</b>	<b>1,145</b>	<b>2,306</b>	<b>3,109</b>	<b>Cash &amp; Cash Equivalents at the Beginning</b>	<b>423</b>	<b>292</b>	<b>355</b>
<b>EBITDA Margin (%)</b>	<b>24.5%</b>	<b>33.8%</b>	<b>36.8%</b>	<b>Cash &amp; Cash Equivalents at the End</b>	<b>289</b>	<b>354</b>	<b>376</b>
Other income	14	15	16				
Depreciation & amortization	155	201	255				
Finance costs	495	965	1,467				
<b>PBT</b>	<b>510</b>	<b>1,154</b>	<b>1,404</b>				
Income tax expense	132	381	368				
<b>PAT</b>	<b>377</b>	<b>773</b>	<b>1,036</b>				
<b>PAT Margin (%)</b>	<b>8.1%</b>	<b>11.3%</b>	<b>12.3%</b>				
<b>Adj. EPS</b>	<b>6.0</b>	<b>12.3</b>	<b>16.5</b>				

Balance sheet (INR Mn.)	FY23	FY24	FY25
<b>Assets</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	292	355	377
Bank balances other than cash and cash equivalents	8,943	15,340	21,962
Trade receivables	2,038	2,470	2,532
Loans	3,766	6,173	6,855
Investments	91	25	65
Other financial assets	399	664	868
<b>Non-Financial Assets</b>			
Property, Plant and Equipment	207	280	384
Right of Use Assets	169	286	344
Intangible Assets	112	102	114
Other non financial assets	270	156	150
<b>Total assets</b>	<b>16,288</b>	<b>25,851</b>	<b>33,650</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Equity share capital	202	222	222
Other equity	2,451	3,705	4,816
<b>Total equity</b>	<b>2,652</b>	<b>3,927</b>	<b>5,038</b>
<b>Financial liabilities</b>			
Trade payables	8,787	12,216	18,560
Debt Securities	1,235	2,458	1,367
Borrowings (Other than Debt Securities)	2,995	6,334	7,689
Deposits	93	86	86
Other financial liabilities	169	290	347
<b>Non Financial liabilities</b>			
Provisions	216	335	401
Other non- financial liabilities	140	204	163
<b>Total equity and liabilities</b>	<b>16,288</b>	<b>25,851</b>	<b>33,650</b>

Source: IPO Prospectus, DevenChoksey Research

## **Anand Rathi Share And Stock Brokers Ltd**

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