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IPO note:

DAM Capital Advisors Limited - SUBSCRIBE

DAM Capital is India's fastest expanding merchant bank in terms of revenue CAGR from 2022 to 2024, with the best profit margin in Fiscal 2024 compared to rivals. The 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 qualifying institutional placements executed by the book running lead manager, in Fiscal 2024. The company offers financial solutions in two areas: (i) merchant banking (ECM, M&A, PE, and structured finance advisory) and (ii) institutional equities (broking and research).

Starting as S.S. Kantilal Ishwarlal Securities Private Limited (SSKIPL) in 1994, the company became part of IDFC in 2008 before being acquired by Dharmesh Anil Mehta and investors in 2019. Rebranded as DAM Capital Advisors Limited in 2020, the company continues to strengthen its leadership in India's financial ecosystem through innovation, trusted advisory services, and global partnerships. The company offers strategic advising and capital markets solutions to a varied range of clients, including corporates, financial sponsors, institutional investors, and family offices, leveraging deep domain knowledge and team experience across sectors and products. Since the acquisition on November 7, 2019, the company has completed 72 ECM transactions, including 27 IPOs, 16 QIPs, 6 OFS, 6 preferential issues, 4 rights issues, 8 buybacks, 4 open offers, and 1 REIT IPO.

The company has advised on 23 advisory transactions, including M&A, private equity, and structured financing, as well as conducted block trades until October 31, 2024. As of October 31, 2024, the institutional equities company had 29 research personnel and 34 broking team members. They serve 263 active clients, including registered FPIs from India, the USA, the UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, the Middle East, and South Africa.

Dharmesh Anil Mehta, a merchant banker with over 25 years of experience, has led the company to rapid growth, with total income of ₹1,820.00 million, ₹850.41 million, and ₹945.08 million in Fiscals 2024, 2023, and 2022, respectively, representing a 38.77% CAGR over the same period. The overall income for the six months ending September 30, 2024 was ₹1,095.82 million. In fiscal years 2024, 2023, and 2022, profit after tax was ₹705.23 million, ₹86.74 million, and ₹218.98 million, respectively, showing a 79.46% CAGR. The profit after tax for the six months ending September 30, 2024 was ₹437.80 million. The company issued dividends of Nil, ₹35.34 million, ₹14.14 million, and ₹21.21 million to shareholders for the six months ending September 30, 2024, fiscal years 2024, 2023, and 2022, respectively. The company's growth has been driven by excellent client relationships and execution capabilities, resulting in successful landmark deals despite market volatility. As of October 31, 2024, the company had 121 people across businesses, including seasoned professionals with experience performing transactions across product lines and sectors. The leadership team is heavily involved in developing client relationships and structuring and executing client deals. The staff averages over 15.7 years of work experience, with 54 out of 121 individuals having over 18 years of experience. The company is backed by high-profile investors from various backgrounds, as well as a diverse board of directors. The board of directors includes industry professionals, financial specialists, and thought leaders from many areas. Their experience enhances strategic decision-making, promotes innovation, and improves governance.

Investment Recommendation and Rationale: -

DAM Capital is India's fastest-growing merchant banker in terms of revenue. At the upper price band of Rs. 283, the issue is priced at a P/E multiple of 28.4 its FY24 post IPO EPS of Rs. 9.97. We give a 'SUBSCRIBE' rating to the issue for the following reasons: -

- 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.**
- DAM Capital boasts strong ties with institutional investors, financial sponsors, corporations, and family offices. The company attributes its success to experienced team members and regular client involvement, resulting in repeat business from satisfied clients.**
- The firm advised on 20 deals, including M&A, PE, and structured finance, and executed block trades.**
- The company plans to form a strategic agreement with a major merchant bank to improve cross-border transaction capabilities and worldwide reach.**

Issue Opens	19th December 2024
Issue Closes	23rd December 2024
Type of Issue	Offer for Sale of 2,96,90,900 shares (aggregating up to Rs. 840.25 Cr)
Issue size	Rs. 840.25 crores
Price Band	Rs. 269 to Rs. 283 per share
Bid lot/ Bid Size	53 shares/ Rs. 14,999
Issue structure	QIB-50%, HNI- 15%, Retail- 35%
Post issue equity shares	7,06,86,000
Promoters and Promoter Group Public	Pre Issue-45.88% Post Issue- 41.49% Pre issue-54.12% Post Issue- 58.51%
Post issue implied market cap	Rs. 2,000.41 crores
BRLMs	Nuvama Wealth Management Limited
Registrar to the issue	Link Intime India Private Limited

Financial Summary (in ₹ million, unless otherwise indicated)

Particulars	H1FY25	FY24	FY23	FY22
Total Income	1,095.82	1,820.00	850.41	945.08
Merchant Banking Revenue as a % of Total Income	54.06%	67.24%	60.01%	64.01%
Broking Revenue as a % of Total Income	39.47%	28.27%	35.75%	32.65%
Revenue per Employee	9.13	16.40	8.50	10.27
Employee cost as % of Total Income	35.17%	35.90%	62.92%	51.04%
PAT	437.80	705.23	86.74	218.98
PAT Margin (%)	39.95%	38.75%	10.20%	23.17%
ROE (%)	23.98%	54.72%	9.47%	28.53%

Source: Red Herring Prospectus (RHP)

Objects of the issue

Offer for Sale of 2,96,90,900 shares aggregating up to Rs. 840.25 Cr.

Shareholding Pattern

Name of the Selling Shareholders	Type	Number of Equity Shares Offered (IN ₹ MILLION)	Weighted Average Cost of Acquisition per Equity Share (in ₹) ^
Multiples Alternate Asset Management Private Limited	ISS	8,714,400 Equity Shares of face value of ₹2 each	14.64
Narotam Satyanarayan Sekhsaria	ISS	7,042,400 Equity Shares of face value of ₹2 each	14.64
RBL Bank Limited	ISS	5,771,000 Equity Shares of face value of ₹2 each	14.64
Easyaccess Financial Services Limited	ISS	5,064,250 Equity Shares of face value of ₹2 each	14.64
Dharmesh Anil Mehta	PSS	3,098,850 Equity Shares of face value of ₹2 each	5.39

Peer Comparison

Name of Company	Total Income (In ₹ million)	Face value per equity share Rs	P/E (x) (Based on Basic EPS)	EPS (Basic) (Rs per share)	EPS (Diluted) (Rs per share)	NAV (Per Share)	RoNW (%)	Market Cap (In ₹ million)
Dam Capital	1,820.00	2	28.4	9.98	9.98	44.98%	33.57	20,004.1
Peer Groups								
ICICI Securities Limited	50,511.00	5	16.96	52.51	52.22	43.25%	17.54	289,510.5
IIFL Capital Services Limited	22,312.87	2	20.56	16.73	16.40	28.71%	17.40	106,523.6
JM Financial Limited	48,321.60	1	32.66	4.29	4.29	0.25%	21.94	133,893.2
Motilal Oswal Financial Services Limited	71,305.20	1	23.57	41.16	40.73	27.89%	21.51	580,741.8

Competitive Strengths

1. DAM Capital is the fastest growing merchant bank in India by revenue CAGR from Fiscals 2022 to 2024 with the profit margin in Fiscal 2024.
2. Proven execution with in-depth understanding of sectors and products.
3. Institutional equities platform with comprehensive research and execution capabilities.
4. Extensive coverage of corporates, financial sponsors and institutional investors, with repeat business.
5. Experienced management and professionals, backed by a majority independent board.
6. Strong track record of revenue growth and profitability.

Source: Red Herring Prospectus (RHP)

Growth Strategies

1. The corporation strengthened its competitive position in existing lines of operation.
2. The organization aims to expand its ability to meet clients' finance needs and enhance their portion of the market.
3. The company offers research and brokerage services to both domestic and foreign institutional investors under its institutional equities segment.
4. Explore potential strategic tie-up with a global merchant bank for cross-border transactions.
5. Strengthen talent pool by adding highly qualified and motivated professionals.

Source: Red Herring Prospectus (RHP)



Key Risks

1. The company operates within a highly regulated environment. Changes in laws, regulations, and government policies may have a negative impact on business operations and profits.
2. The merchant banking and institutional equities business is heavily influenced by market and economic conditions. Adverse market or economic conditions can significantly damage businesses' finances.
3. The corporation relies on IT systems to efficiently record and handle massive amounts of transactions daily. Failure or insufficiency in these systems can disrupt operations and severely impact customer experience, ultimately harming corporate performance.
4. The stock broking firm incurred losses of Rs 14.78 crore in FY23 and Rs 11.66 crore in FY22. Further decreases in brokerage income could harm the company's financial health and operations.
5. The success of a firm depends on the Promoter and Managing Director, Directors, Key Managerial Personnel, Senior Management, and the capacity to attract, train, and retain people.

Source: Red Herring Prospectus (RHP)


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