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|--------------------------------------|--|
| Retail Research | IPO Note |
| Sector: BFSI - Stock Broking | Price Band (Rs): 269 - 283 |
| 16th December 2024 | Recommendation: Subscribe for Long term |

DAM Capital Advisors Ltd

Company Overview:

DAM Capital Advisors Ltd (DAM Capital) is one of the leading merchant banks in India providing a wide range of financial solutions particularly in the areas of **(i) Merchant banking** (equity capital markets, mergers & acquisitions, private equity, structure financial advisory) and **(ii) Institutional equities** (broking and research). DAM Capital commanded a market share of 12.1% in FY24.

Key Highlights:

1. Fastest growing merchant bank in India: DAM Capital is the fastest growing merchant bank in India in terms of revenue growth between FY22-24 and had a market share of 12.1% in FY24 based on the number of IPOs and QIPs undertaken by the company as the book running lead manager (BRLM). As of 1HFY25/FY24, DAM Capital was the BRLM to 5/17 IPOs and QIPs respectively.

2. In-depth understanding of sectors and products coupled with proven execution: The company employs a team of 40 experienced employees in its merchant banking division allowing it to identify niche sub-sectors and product opportunities early. DAM Capital has consummated transactions across sectors like pharmaceuticals, infrastructure, manufacturing, retail, technology, etc.

3. Institutional equities platform: DAM Capital houses a comprehensive research and experienced sales and trading team under its institutional equities platform providing services to its clients across investor categories. The company's strength lies in its ability to facilitate investor interactions and liaise between corporates and investors through conferences, roadshows and expert calls.

4. Long-standing relationships with clients: The company has long standing relationships with institutional investors, financial sponsors, corporates and family offices as a result of its experienced team and consistent coverage of clients, which has helped DAM Capital to earn repeat business. The company's business development efforts are designed to penetrate new markets and enhance its senior team with professionals who bring valuable client relationships.

Valuation: At the upper price band of Rs 283, DAM Capital Advisors Ltd is valued at FY24 P/E multiple of 28.4x on post issue capital. The company is one of the leading merchant banks in India and provides services across the Merchant banking and Institutional Equity domains. The company has showcased remarkable financial performance over the years with Revenue/EBITDA/PAT growing at a CAGR of 38.9%/76.7%/79.5% respectively over the FY22-FY24 period and had the highest net profit margin among peers as of FY24. The domestic broking industry is expected to grow at a CAGR of 16%-18% from FY24-FY29, which shall augur well for the company's growth. We recommend investors to subscribe to the issue at cut-off price for long term.

| Issue Details | |
|--------------------------------|-----------------------------------|
| Date of Opening | 19 th December 2024 |
| Date of Closing | 23 rd December 2024 |
| Price Band (Rs) | 269 – 283 |
| Offer for sale (No. of shares) | 2,96,90,900 |
| Fresh Issue (Rs cr) | - |
| Issue Size (No. of shares) | 2,96,90,900 |
| No. of shares | 2,96,90,900 |
| Face Value (Rs) | 2 |
| Post Issue Market Cap (Rs cr) | 1,901 – 2,000 |
| BRLMs | Nuvama Wealth Management Ltd |
| Registrar | Link Intime India Pvt Ltd |
| Bid Lot | 53 shares and in multiple thereof |
| QIB shares | 50% |
| Retail shares | 35% |
| NII shares | 15% |

| Shareholding Pattern | | |
|---------------------------|--------------------|--------------|
| Pre-Issue | No. of Shares | % |
| Promoter & Promoter Group | 3,24,33,300 | 45.9 |
| Public & Others | 3,82,52,700 | 54.1 |
| Total | 7,06,86,000 | 100.0 |

| Post Issue @ Lower Price Band | No. of Shares | % |
|-------------------------------|--------------------|--------------|
| Promoter & Promoter Group | 2,93,34,450 | 41.5 |
| Public & Others | 4,13,51,550 | 58.5 |
| Total | 7,06,86,000 | 100.0 |

| Post Issue @ Upper Price Band | No. of Shares | % |
|-------------------------------|--------------------|--------------|
| Promoter & Promoter Group | 2,93,34,450 | 41.5 |
| Public & Others | 4,13,51,550 | 58.5 |
| Total | 7,06,86,000 | 100.0 |

Source: RHP, SSL Research

Key Financials

| Particulars (Rs cr) | FY22 | FY23 | FY24 | 1HFY25 |
|-------------------------|------|-------|-------|--------|
| Revenue from operations | 93.4 | 84.9 | 180.0 | 107.8 |
| EBITDA | 32.0 | 17.1 | 99.8 | 59.9 |
| PAT | 21.9 | 8.7 | 70.5 | 43.8 |
| EBITDA Margin (%) | 34.2 | 20.2 | 55.5 | 55.6 |
| PAT Margin (%) | 23.5 | 10.2 | 39.2 | 40.6 |
| RoE (%) | 24.9 | 9.1 | 43.4 | - |
| RoCE (%) | 31.4 | 12.1 | 57.0 | - |
| P/E (x)* | 91.4 | 230.6 | 28.4 | - |

**Note: Pre-issue P/E based on upper price band*

Source: RHP, SSL Research

Risk Factors

- **Regulatory risk:** DAM Capital operates in a highly regulated industry which is subject to changes in laws and regulations and government policies. The company is subject to periodic inspections and oversight by various regulatory authorities especially SEBI. Further, the company is also required to maintain various licenses and permits for its business from time to time. Thus, any failure or delay in obtaining or renewing licenses/permits or non-compliance to the changing laws may adversely impact its business and operations.
- **Dependent on market and economic conditions:** The company's merchant banking and institutional equities businesses are highly dependent on the prevailing market and economic conditions both in India and globally. In the event of a market downturn, both these businesses could be affected adversely with impacts seen on revenues and profitability.
- **Dependency on two income streams:** The company derives a significant portion of its revenue from only two income streams namely, advisory fee income and brokerage. Both of these income streams are highly dependent on general macro-economic conditions. As of 1HFY25, advisory fee income accounted for ~55% of the total income stream while brokerage comprised of ~39% of the total income.
- **KMP risk and inability to grow talent pool:** The company's success is highly dependent on its promoter and managing director Mr. Dharmesh Mehta, who has been instrumental in setting up the business and is the brand image of the company. Any inability to attract and retain talented employees, or the resignation or loss of key management personnel, may have an adverse impact on the business and future financial performance

Growth Strategies

- Strengthen competitive position in the existing lines of business
- Enhance its merchant banking platform
- Strengthen the institutional equities platform
- Build other complementary fee-based businesses
- Explore potential strategic tie-up with a global merchant bank for cross-border transactions
- Strengthen its talent pool by adding highly qualified and motivated professionals

No. of Transactions handled by DAM Capital as BRLM

| Particulars | FY22 | FY23 | FY24 | Apr'24-Oct'24 |
|--------------------|-----------|-----------|-----------|---------------|
| IPO | 8 | 4 | 9 | 3 |
| QIP | - | 1 | 8 | 3 |
| OFS | - | 2 | 1 | 1 |
| Rights | 1 | 1 | - | 1 |
| Buyback | 1 | 4 | 2 | 1 |
| Open offer | 2 | 1 | 1 | - |
| Preferential issue | 1 | 1 | 1 | - |
| Total | 13 | 14 | 22 | 9 |

Source: RHP, SSL Research

Amount raised by DAM Capital as BRLM (Rs cr)

| Particulars | FY22 | FY23 | FY24 | Apr'24-Oct'24 |
|--------------------|-----------------|----------------|-----------------|-----------------|
| IPO | 13,667.9 | 3,273.6 | 8,706.7 | 6,915.1 |
| QIP | - | 475.0 | 10,059.4 | 3,877.7 |
| OFS | - | 299.8 | 2,115.9 | 2,010.9 |
| Rights | 400.0 | 343.6 | - | 199.3 |
| Buyback | 200.0 | 578.6 | 285.0 | 278.4 |
| Open offer | 62.1 | 38.6 | 1,343.1 | - |
| Preferential issue | 298.0 | 57.0 | 200.0 | - |
| Total | 14,628.0 | 5,066.0 | 22,710.0 | 13,281.5 |

Source: RHP, SSL Research

Revenue split – Segment wise

| Particulars | FY22 | | FY23 | | FY24 | | 1HFY25 | |
|------------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| | Rs cr | % of OR* | Rs cr | % of OR | Rs cr | % of OR | Rs cr | % of OR |
| Merchant Banking | 60.5 | 64.8 | 51.0 | 60.1 | 122.4 | 68.0 | 59.2 | 55.0 |
| Stock Broking | 30.9 | 33.0 | 30.4 | 35.8 | 51.5 | 28.6 | 43.3 | 40.1 |
| Others | 2.0 | 2.2 | 3.5 | 4.1 | 6.2 | 3.4 | 5.3 | 4.9 |
| Total | 93.4 | 100.0 | 84.9 | 100.0 | 180.0 | 100.0 | 107.8 | 100.0 |

*OR = Overall Revenue

Source: RHP, SSL Research

Operational Metrics

| Particulars | FY22 | FY23 | FY24 | 1HFY25 |
|------------------------------------|------|------|------|--------|
| Total Number of Employees | 92 | 100 | 111 | 120 |
| Capital Market Issuances | 12 | 13 | 21 | 6 |
| No. of Stocks Covered by Research | 128 | 153 | 168 | 162 |
| No. of Sectors Covered by Research | 19 | 20 | 19 | 20 |

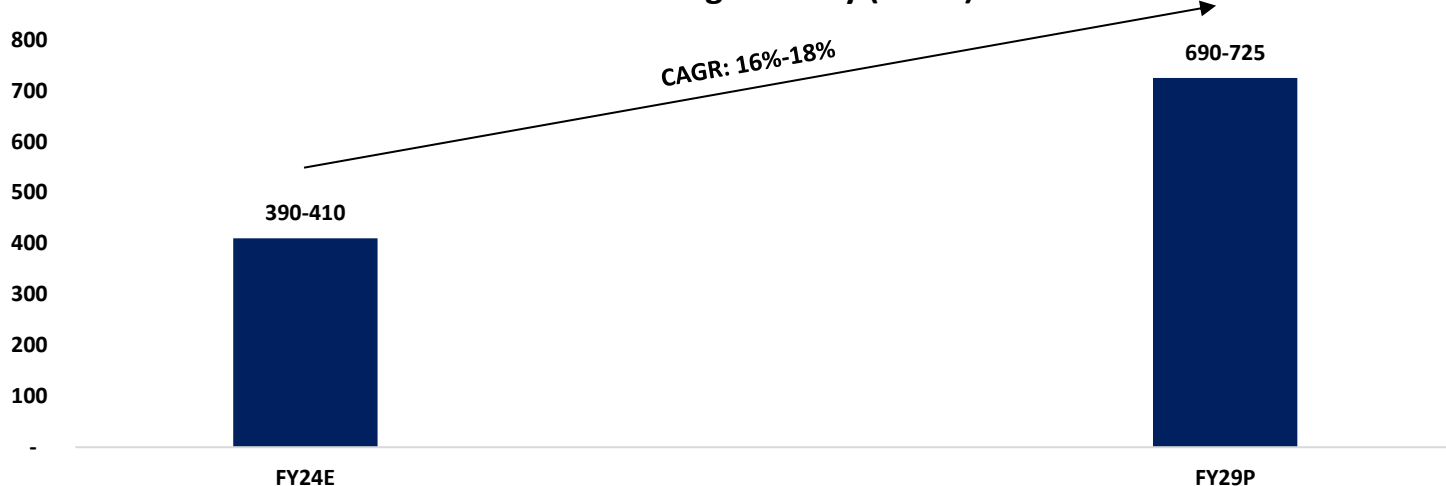
Source: RHP, SSL Research

Industry Overview

Domestic Broking Industry:

The domestic broking industry is estimated at Rs 390-410 bn as of FY24, and is expected to grow at a CAGR of 16%-18% to reach Rs 690-725 bn by FY29P.

Indian Broking Industry (Rs bn)



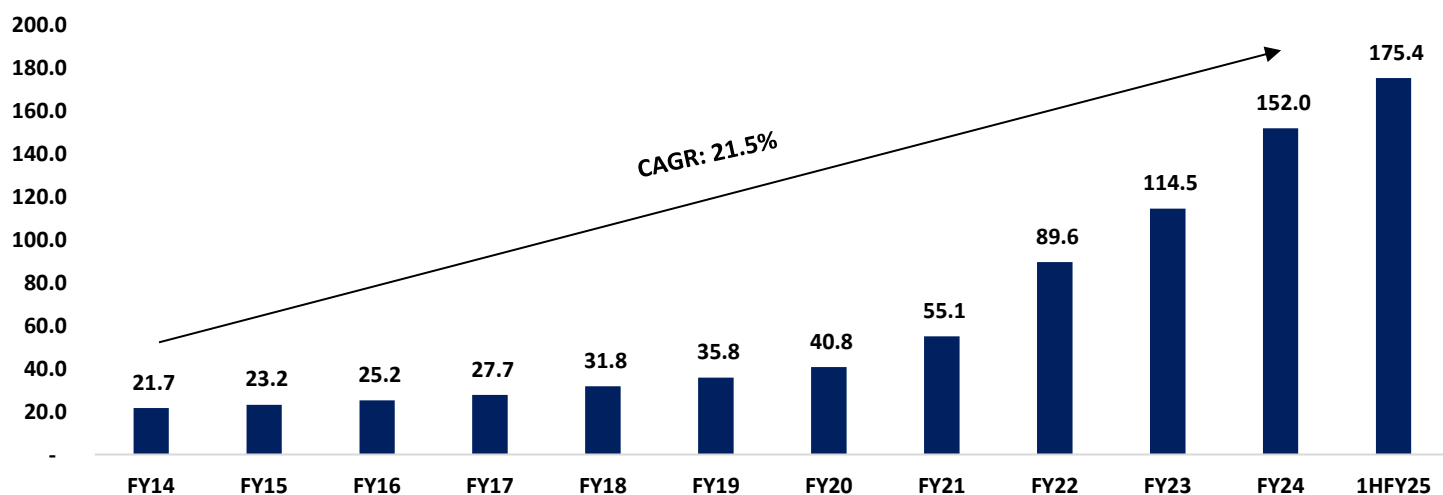
Source: RHP, SSL Research

Indian Capital Markets:

The Indian Capital Market is one of the most dynamic and high growth organized markets in the world. During the period FY11-24, the Indian capital market witnessed a strong performance with the market capitalization of National Stock Exchange (NSE) growing at a CAGR of 14.4%, while the Nifty 50 index grew by a CAGR of 10.9% during the same period.

The Demat accounts in India have grown at a CAGR of 21.5% from FY14-24, indicating the increasing awareness and willingness of the people to participate in capital markets for either trading or investing. As of 1HFY25, the total demat accounts stood at 175.4 mn accounts, up from 152.0 mn accounts in FY24.

Trend in Demat accounts in India (mn)



Source: RHP, SSL Research

Equity Capital Market (ECM):

The performance of entities in the capital markets business is primarily influenced by two factors: the performance of the primary and secondary equity markets, and fund-raising through equity (initial public offer, rights issue, qualified institutions placement) or debt markets. The Indian capital market has shown a strong growth in FY24 in terms of the number of issues which have increased from 234 in FY23 to 316 in FY24. Strong rally in capital markets, increased participation from retail investors and HNIs and more companies reaching the scale for IPO are some of the key drivers for rising growth in number of issuances.

| NO. OF ISSUES | | | | | | | |
|---------------|------------|------------|------------|------------|------------|------------|--------------|
| Product | FY20 | FY21 | FY22 | FY23 | FY24 | FY25* | Total |
| IPO | 13 | 30 | 53 | 37 | 76 | 46 | 255 |
| QIP | 13 | 31 | 29 | 11 | 64 | 56 | 204 |
| OFS | 26 | 38 | 22 | 19 | 30 | 14 | 149 |
| Rights Issue | 13 | 20 | 10 | 12 | 13 | 12 | 80 |
| Buyback | 52 | 61 | 40 | 62 | 41 | 37 | 293 |
| Open Offer | 60 | 46 | 76 | 90 | 79 | 47 | 398 |
| InvIT / ReIT | 1 | 4 | 6 | 3 | 13 | 2 | 29 |
| FPO | - | 1 | 1 | - | - | 1 | 3 |
| Total | 178 | 231 | 237 | 234 | 316 | 215 | 1,411 |

*Data till Oct'24

Source: RHP, SSL Research

| TOTAL ISSUE AMOUNT (Rs cr) | | | | | | | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Product | FY20 | FY21 | FY22 | FY23 | FY24 | FY25* | Total |
| IPO | 20,350 | 31,268 | 1,11,547 | 52,116 | 61,923 | 90,077 | 3,67,280 |
| QIP | 51,216 | 78,046 | 28,532 | 9,019 | 71,306 | 79,464 | 3,17,583 |
| OFS | 17,327 | 28,441 | 14,530 | 11,159 | 22,498 | 15,611 | 1,09,565 |
| Rights Issue | 55,998 | 64,256 | 25,301 | 5,779 | 13,966 | 8,337 | 1,73,637 |
| Buyback | 19,972 | 39,295 | 31,316 | 21,781 | 51,143 | 7,771 | 1,71,278 |
| Open Offer | 21,459 | 25,017 | 25,546 | 37,674 | 13,509 | 2,512 | 1,25,718 |
| InvIT / ReIT | 2,306 | 37,200 | 15,442 | 2,383 | 33,972 | 3,327 | 94,629 |
| FPO | - | 15,000 | 4,300 | - | - | 18,000 | 37,300 |
| Total | 1,88,629 | 3,18,522 | 2,56,513 | 1,39,910 | 2,68,316 | 2,25,099 | 13,96,989 |

*Data till Oct'24

Source: RHP, SSL Research

Average BRLM fees per Deal:

| Issue Size (Rs bn) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25* |
|--------------------|------|------|------|------|------|-------|
| 0 to 2.5 | 3.1% | 5.2% | 5.5% | 5.1% | 4.3% | 5.0% |
| 2.5 to 5 | 2.9% | 3.2% | 3.0% | 3.4% | 3.8% | 3.3% |
| 5 to 10 | 1.6% | 2.8% | 3.3% | 3.0% | 3.1% | 3.1% |
| 10 to 20 | 2.2% | 2.7% | 2.5% | 2.5% | 2.7% | 2.7% |
| 20 to 50 | 1.5% | 0.9% | 2.1% | 2.7% | 1.6% | 2.1% |
| 50 and above | 0.5% | 1.1% | 2.1% | 1.0% | - | 1.7% |

*Data till Oct'24

Source: RHP, SSL Research

Financial Snapshot

| INCOME STATEMENT | | | | |
|-----------------------------------|-------|--------|--------|--------|
| (Rs cr) | FY22 | FY23 | FY24 | 1HFY25 |
| Revenue from Operations | 93 | 85 | 180 | 108 |
| YoY growth (%) | - | (9.0%) | 112.0% | - |
| Cost Of Revenues (incl Stock Adj) | 7 | 7 | 8 | 4 |
| Gross Profit | 87 | 78 | 172 | 104 |
| Gross margins (%) | 92.8% | 91.7% | 95.7% | 96.1% |
| Employee Cost | 48 | 54 | 65 | 39 |
| Other Operating Expenses | 6 | 7 | 7 | 5 |
| EBITDA | 32 | 17 | 100 | 60 |
| EBITDA margins (%) | 34.2% | 20.2% | 55.5% | 55.6% |
| Other Income | 1 | 0 | 2 | 2 |
| Depreciation | 5 | 5 | 6 | 3 |
| PBT | 28 | 12 | 95 | 59 |
| Tax | 6 | 3 | 25 | 15 |
| PAT | 22 | 9 | 71 | 44 |
| PAT margin (%) | 23.5% | 10.2% | 39.2% | 40.6% |

| BALANCE SHEET | | | | |
|---|------------|--------------|------------|------------|
| (Rs cr) | FY22 | FY23 | FY24 | 1HFY25 |
| Assets | | | | |
| Net Block | 14 | 11 | 9 | 7 |
| Other Non-current Assets | 6 | 6 | 5 | 7 |
| Current Assets | | | | |
| Current Investment | 8 | 6 | 4 | 4 |
| Trade receivables | 47 | 187 | 24 | 49 |
| Cash and Bank Balances | 77 | 755 | 159 | 178 |
| Other Current Assets | 14 | 235 | 13 | 12 |
| Total Current Assets | 146 | 1,183 | 200 | 243 |
| Current Liabilities & Provisions | | | | |
| Trade payables | 47 | 1,070 | 3 | 4 |
| Other current liabilities | 9 | 6 | 5 | 12 |
| Short-term provisions | 18 | 21 | 29 | 24 |
| Total Current Liabilities | 74 | 1,098 | 37 | 40 |
| Net Current Assets | 73 | 86 | 163 | 203 |
| Total Assets | 93 | 104 | 178 | 217 |
| Liabilities | | | | |
| Share Capital | 14 | 14 | 14 | 14 |
| Reserves and Surplus | 74 | 81 | 148 | 188 |
| Total Shareholders Funds | 88 | 95 | 163 | 202 |
| Total Debt | 1 | 3 | 5 | 5 |
| Other Long-Term Liabilities | 4 | 5 | 11 | 10 |
| Total Liabilities | 93 | 104 | 178 | 217 |

| Cash Flow (Rs cr) | FY22 | FY23 | FY24 |
|-------------------------------------|------|-------|-------|
| Cash flow from Operating Activities | 37 | 679 | (595) |
| Cash flow from Investing Activities | (28) | (671) | 658 |
| Cash flow from Financing Activities | (3) | (4) | (4) |
| Free Cash Flow | 36 | 676 | (599) |

| RATIOS | | | |
|---------------------------------|-------|-------|-------|
| | FY22 | FY23 | FY24 |
| Profitability | | | |
| Return on Capital Employed | 31.4% | 12.1% | 57.0% |
| Return on Equity | 24.9% | 9.1% | 43.4% |
| Margin Analysis | | | |
| Gross Margin | 92.8% | 91.7% | 95.7% |
| EBITDA Margin | 34.2% | 20.2% | 55.5% |
| Net Profit Margin | 23.5% | 10.2% | 39.2% |
| Short-Term Liquidity | | | |
| Current Ratio (x) | 2.0 | 1.1 | 4.8 |
| Quick Ratio (x) | 2.0 | 1.1 | 4.8 |
| Avg. Days Sales Outstanding | 185 | 803 | 48 |
| Avg. Days Inventory Outstanding | - | - | - |
| Avg. Days Payables | 279 | 5,763 | 12 |
| Fixed asset turnover (x) | 6.8 | 7.7 | 19.2 |
| Debt-service coverage (x) | 19.9 | 3.6 | 19.4 |
| Long-Term Solvency | | | |
| Total Debt / Equity (x) | 0.0 | 0.0 | 0.0 |
| Interest Coverage Ratio (x) | - | - | - |
| Valuation Ratios* | | | |
| EV/EBITDA (x) | 60.2 | 72.9 | 18.5 |
| P/E (x) | 91.4 | 230.6 | 28.4 |
| P/B (x) | 22.7 | 21.0 | 12.3 |
| EV/Sales (x) | 20.6 | 14.7 | 10.3 |
| P/Sales (x) | 3.0 | 3.3 | 1.6 |

**Valuation ratios are based on pre-issue capital at the upper price band*

Source: RHP, SSL Research

Peer Comparison – FY24

| Particulars (Rs cr) | DAM Capital Advisors | ICICI Securities | IIFL Capital Services | JM Financial* | Motilal Oswal Financial Services |
|-----------------------|----------------------|------------------|-----------------------|---------------|----------------------------------|
| CMP (Rs) | 283.0 | 891.0 | 358.0 | 140.0 | 998.0 |
| Sales | 180.0 | 5,049.0 | 2,218.0 | 4,786.0 | 7,069.0 |
| EBITDA | 99.8 | 3,372.0 | 933.0 | 2,768.0 | 4,067.0 |
| Net Profit | 70.5 | 1,697.0 | 513.0 | 877.0 | 2,446.0 |
| Mkt Cap. | 2,000.4 | 28,951.0 | 11,100.0 | 13,366.0 | 59,787.0 |
| Enterprise Value | 1,846.1 | 34,390.0 | 6,632.0 | 7,922.0 | 47,716.0 |
| EBITDA Margin (%) | 55.5 | 66.8 | 42.1 | 57.8 | 57.5 |
| Net Profit Margin (%) | 39.2 | 33.6 | 23.1 | 18.3 | 34.6 |
| P/E (x) | 28.4 | 17.0 | 21.5 | 18.1 | 24.4 |
| EV/EBITDA (x) | 18.5 | 10.2 | 7.1 | 2.9 | 11.7 |
| RoE (%) | 43.4 | 43.3 | 28.7 | 10.3 | 28.0 |
| RoCE (%) | 57.0 | 15.8 | 45.8 | 32.0 | 45.6 |
| EV/Sales (x) | 10.3 | 6.8 | 3.0 | 1.7 | 6.8 |

For DAM Capital Advisors Ltd, the Market Cap, P/E (x), Enterprise Value, EV/EBITDA (x) and EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP of peer companies is as of 16th December, 2024.

*Net Profit, P/E, RoE, RoCE adjusted for one time exceptional loss

Source: RHP, SSL Research

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485

SEBI Registration No.: Stock Broker: INZ000200032 | DP Registration No.: IN-DP-314-2017

Research Analyst : INH000000602 | IRDA : CA0103 | PFRDA Registration No: POP 26092018

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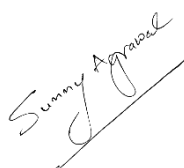
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| Name | Qualification | Designation |
|------------------|--------------------------------|--|
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| Sunny Agrawal | B.E, MBA (Finance) | DVP - Fundamental Research |
| Rajesh Gupta | PGDBM (Finance), MA (Bus. Eco) | AVP - Fundamental Research |
| Monica Chauhan | C.A. | Research Analyst - Equity Fundamentals |
| Harsh Vasa | C.A. | Research Analyst - Equity Fundamentals |
| Sumeet Shah | B.E., CFA | Research Analyst - Equity Fundamentals |
| Sweta Padhi | MBA (Finance) | Research Analyst - Equity Fundamentals |
| Gautam Updhyaya | MBA (Finance) | Research Analyst - Equity Derivatives |
| Vinayak Gangule | BE (IT) | Research Analyst - Equity Technicals |
| Ashwin Ramani | B.Com | Research Analyst- Equity Technicals |
| Ghanshyam Gupta | MBA (Finance) | Research Analyst - Currency Derivatives |
| Sagar Peswani | B.Tech (ECE) | Research Associate - Equity Technicals |
| Uday Chandgothia | B.Tech (Mech), MBA (Finance) | Research Associate - Equity Fundamentals |
| Kalpesh Mangade | B.Com | MIS Analyst - Retail Research |

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