



SMC Ranking

★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Investment bank
Offer for sale (Shares)	2,96,90,900
Net Offer to the Public	2,96,90,900
Issue Size (Rs. Cr.)	798-840
Price Band (Rs.)	269-283
Offer Date	19-Dec-24
Close Date	23-Dec-24
Face Value	2
Lot Size	53

Issue Composition

	In shares
Total Issue for Sale	2,96,90,900
QIB	1,48,45,450
NIB	44,53,635
Retail	1,03,91,815

About the company

DAM Capital Advisors Limited is an investment bank in India. The company offers a wide range of financial solutions in the areas of:

(i) Investment 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.

The company has successfully executed 72 ECM transactions comprising 27 IPOs, 16 qualified institutions placements, 6 offers for sale, 6 preferential issues, 4 rights issues, 8 buybacks, 4 open offers and 1 initial public offer of units by a real estate investment trust. (since the Acquisition i.e., November 7, 2019, till October 31, 2024). DAM Capital Advisors Limited has also advised on 23 advisory transactions including M&A; A advisory, private equity advisory and structured finance advisory and has also executed block trades since the Acquisition i.e., November 7, 2019, till October 31, 2024. The institutional equities business, as of October 31, 2024, comprises 29 employees in research and 34 employees in the broking team. The company has provided services to 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. As of October 31, 2024, the company had a team of 121 employees across all businesses. The company's wholly-owned Subsidiary, DAM Capital (USA) Inc. is incorporated in New York, USA and is registered as a Broker-Dealer with the Securities and Exchange Commission.

Strength

Fastest-Growing Merchant Bank in India: DAM Capital is the fastest-growing merchant bank in India, achieving a revenue CAGR of 38.77% between Fiscals 2022 and 2024, and registering the highest profit margin among peers in Fiscal 2024 (Source: CRISIL Report). It held a 12.1% market share in Fiscal 2024, based on the number of IPOs and QIPs managed as the book running lead manager. During the six months ending September 30, 2024, DAM Capital acted as the book running lead manager for 5 IPOs and QIPs, and for 17 IPOs and QIPs in Fiscal 2024. Since its acquisition, DAM Capital's market share has grown from 8.2% in Fiscal 2021 to 12.1% in Fiscal 2024, reflecting consistent performance and execution capabilities.

Proven Execution and Sectoral Expertise: DAM Capital employs 40 professionals in its merchant banking team, with 9 members bringing over 18 years of experience. Its expertise spans diverse sectors, including pharmaceuticals, infrastructure, manufacturing, retail, technology, financial services, and healthcare. The team's ability to identify emerging sub-sectors and niche product opportunities allows them to provide tailored solutions. For instance, early market insights enable them to pitch appropriate financial products to clients, while deep sectoral understanding allows the company to deliver differentiated and compelling investment stories to the market.

Institutional Equities Platform with Comprehensive Capabilities: DAM Capital's institutional equities platform combines in-depth research, robust sales capabilities, and expert sales trading, serving clients across diverse geographies.

Research: DAM Capital offers a wide array of research services, including fundamental, macro-economic, and thematic research, along with weekly insights and bespoke client reports.

Sales: The sales team spans regions such as India, the USA, the UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, the Middle East, and South Africa. They

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	45.88%	41.50%
QIB	54.12%	37.50%
NIB	0.00%	6.30%
Retail	0.00%	14.70%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company will not receive any proceeds of the Offer for Sale by the Selling Shareholders.

Book Running Lead Manager

- Nuvama Wealth Management Limited

Name of the registrar

- Link Intime India Private Limited

provide customized marketing of research products, corporate and lateral access, and in-depth data analysis, enabling targeted outreach to institutional investors.

Sales Trading: The company has strong execution capabilities in the cash segment, including blocks and derivatives. DAM Capital also excels in facilitating investor interactions through conferences, roadshows, and expert calls, particularly in emerging sectors like data centers, semiconductors, and smart meters. Client relationships are cultivated based on comprehensive services, including research, corporate access, execution, and events. Many clients rate DAM Capital based on these parameters, influencing the allocation of brokerage among intermediaries.

Extensive Client Relationships with High Retention: DAM Capital Advisors has long-standing relationships with institutional investors, financial sponsors, corporates, and family offices, many of whom engage in repeat business. This is driven by the firm's ability to provide a comprehensive suite of services across the merchant banking spectrum. Its deep expertise and ability to offer tailored solutions across various product segments ensure high client retention and lifecycle engagement. DAM Capital positions itself as a strategic partner rather than a transaction-oriented service provider, fostering long-term relationships even during market volatility. The company is also actively expanding its client base by leveraging its network of senior executives, board members, attorneys, and key stakeholders. Targeted business development efforts are aimed at entering new markets and acquiring high-value clients.

Strong Track Record of Revenue Growth and Profitability: DAM Capital has demonstrated remarkable growth, achieving a revenue CAGR of 38.77% and a profit CAGR of 79.46% between Fiscals 2022 and 2024.

- **Fiscal 2022 Total Income:** ₹94.51 crores
- **Fiscal 2022 Profit:** ₹21.90 crores
- **Fiscal 2024 Total Income:** ₹182.00 crores
- **Fiscal 2024 Profit:** ₹70.52 crores

For the six months ending September 30, 2024, the company reported Total Income: ₹109.58 crores and Profit of ₹43.78 crores. These figures solidify DAM Capital's position as one of India's leading and most profitable merchant banks, showcasing its ability to deliver value consistently to its clients and stakeholders.

Strategy

Further Strengthen the Institutional Equities Platform

Research: The company plans to expand its research coverage by 35% over the next two years, adding emerging sectors like climate tech and block chain. It has also announced plans to integrate artificial intelligence and advanced analytics into its research processes to maintain its edge in providing actionable insights.

Sales: From March 2022 to October 2024, the active client base grew from 144 to 263, representing an 82.6% increase. The company aims to broaden its reach among foreign institutional investors and deepen relationships with existing clients by adding value-driven insights, ultimately increasing wallet share. Corporate access will be enhanced through frequent cross-sector conferences, ensuring sustained client engagement.

Sales Trading: The company plans to upgrade its technology infrastructure and enhance team capabilities to boost broking revenues. By offering integrated solutions, the company expects a 20% rise in transaction volumes within two years.

Build Complementary Fee-Based Businesses: The company intends to diversify into retail broking and asset management, leveraging synergies from its existing client base. The Indian mutual

fund industry, which grew at a CAGR of 16.8% from ₹13.52 lakh crores in March 2016 to ₹54.13 lakh crores in March 2024, presents a significant growth opportunity. With mutual fund AUM expected to reach ₹120 lakh crores by FY29, the company is poised to capitalize on this momentum. To execute this strategy, the company has incorporated a wholly-owned subsidiary for its asset management business, targeting a 10% market share in mid-sized retail investments by 2027.

Explore Strategic Tie-Ups for Cross-Border Transactions: To strengthen cross-border capabilities, the company plans to explore strategic partnerships with global merchant banks. The goal is to leverage a partner's global network and insights, enabling seamless financial services across regions. Such tie-ups will focus on high-growth sectors like green technology, advanced materials, and fintech.

Strengthen Talent Pool: Recognizing that talent drives success, the company aims to grow its team by hiring top graduates from premier institutions and lateral talent with sectoral expertise. It plans to invest in leadership development, which has led to a 25% reduction in turnover among senior professionals. Employees will be rewarded based on client impact and relationship-building, fostering a high-performance culture. By 2026, the company plans to grow its workforce by 30%, focusing on diversity and expertise to drive innovation and client satisfaction.

Risk Factor

- The company operates in a highly regulated environment which is subject to changes in laws and, regulations and government policies
- The merchant banking and institutional equities business is highly dependent on market and economic conditions.
- A significant portion of its revenue is from only two income streams, namely, advisory fee income and brokerage, which are highly dependent on general macro-economic conditions, and their continued success is necessary for its business prospects.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
JM Financial	4842.16	451.86	12.51	11.16	1.53	91.13	1.00	139.55	13337.71
ICICI Securities	6218.90	2058.17	63.32	14.04	6.47	137.38	5.00	889.05	28899.33
IIFL Capital	2634.13	717.08	23.16	15.47	5.00	71.68	2.00	358.35	11096.73
Motil.Oswal.Fin.	9117.96	3384.90	56.48	17.63	5.39	184.72	1.00	996.00	59688.15
DAM Capital Advisors Limited	215.50	87.56	12.39	22.85	9.88	28.65	2.00	283.00	2000.41

*Peer companies financials are TTM based

** DAM Capital Advisors Limited financials are based on Estimated Annualised FY25

Valuation

Considering the P/E valuation on the upper price band of Rs.283, Estimated Annualised FY25 EPS and P/E are Rs.12.39 and 22.85 multiple respectively and at a lower price band of Rs. 269, P/E multiple is 21.72. Looking at the P/B ratio on the upper price band of Rs.283, book value and P/B are Rs. 28.65 and 9.88 multiple respectively and at a lower price band of Rs. 269 P/B multiple is 9.39. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital

Industry Overview

The Indian Capital Market is one of the most dynamic and high growth organised markets in the world. It witnessed strong performance during the period Fiscal 2011-2024. The market capitalization of National Stock Exchange grew at 14.4% CAGR during Fiscal 2011 to Fiscal 2024. The NIFTY 50 index has grown at a CAGR of 10.9% over this period. BSE Sensex has followed a similar growth trajectory to Nifty 50. Both domestic and global factors were supportive of foreign capital inflows. The Indian capital market has shown a strong growth in Fiscal 2024 compared to Fiscal 2023 in terms of the number of issues (IPO, QIP, OFS, Rights Issue, Buyback, InvIT/REIT, FPO) which have increased from 234 in Fiscal 2023 to 316 in Fiscal 2024. In FY25, the number of issues stand at 215 as of October 2024.

Outlook

DAM Capital ranks among India's top merchant banks, with a 12.1% market share based on the number of initial public offerings (IPOs) and qualified institutional placements (QIPs) it has managed as a book-running lead manager. It is recognized as the fastest-growing merchant bank in India, with a robust revenue CAGR from FY22 to FY24, and recorded the highest profit margin in FY24 within its peer group. However, the company's heavy reliance on ECM and advisory services exposes it to market volatility. Additionally, it competes with larger, more established investment banking firms.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Thursday, December 19, 2024
IPO Close Date	Monday, December 23, 2024
Basis of Allotment	Tuesday, December 24, 2024
Initiation of Refunds	Thursday, December 26, 2024
Credit of Shares to Demat	Thursday, December 26, 2024
Listing Date	Friday, December 27, 2024

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-24 (6 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	107.75	180.04	84.93
Total expenditure	42.72	73.15	60.52
Operating Profit	65.03	106.89	24.41
OPM%	60.35	59.37	28.74
Other Income	1.83	1.96	0.12
PBDIT	66.86	108.85	24.53
Depreciation	3.14	6.34	5.38
PBIT	63.73	102.51	19.15
Interest	5.15	7.04	7.28
Profit Before Tax	58.57	95.47	11.87
tax	14.79	24.95	3.19
PAT	43.78	70.52	8.67

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-23
ASSETS			
Financial assets			
Cash and cash equivalents	66.18	84.56	25.61
Bank balances other than cash and cash equivalents	111.90	74.63	729.23
Receivables			
Trade receivables			
Billed	42.28	20.42	185.61
Unbilled	0.69	3.20	1.04
Other receivables	5.76	0.05	0.23
Investments	4.43	3.99	6.05
Other financial assets	11.01	6.37	228.21
Non-financial assets			
Current tax assets (net)	1.12	6.56	7.29
Deferred tax assets (net)	2.16	2.07	2.90
Property, plant and equipment	7.05	9.39	11.03
Intangible assets under development	0.08	0.00	0.54
Other Intangible assets	0.33	0.48	0.33
Other non-financial assets	4.46	2.95	3.11
Total assets	257.45	214.68	1201.16
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables			
Trade payables - MSME	0.00	0.00	0.00
Trade payables - other than MSME	4.39	2.65	1070.47
Borrowings (Other than Debt Securities)	4.75	4.93	3.29
Other Financial liabilities	1.51	2.46	5.88
Non-financial Liabilities			
Current tax liabilities (net)	10.13	2.09	0.00
Provisions	24.44	29.43	21.17
Other non-financial liabilities	9.72	10.51	5.21
Total Liabilities	54.95	52.07	1106.03
Net worth represented by:			
Equity Share Capital	14.14	14.14	14.14
Other equity	188.36	148.47	80.99
Net Worth	202.50	162.61	95.13

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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