



IPO NOTE

**Dam Capital Advisors
Limited**

18th December 2024

Company Overview

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.

DAM Capital is the fastest-growing merchant bank in India, achieving the highest revenue CAGR from FY22 to FY24 and the best profit margin among peers in FY24. As one of the leading merchant banks in India, DAM Capital achieved a market share of 12.1% in FY24, based on the number of IPOs and QIPs where it served as the book-running lead manager. 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 SEC. Focusing on the Indian capital markets, one of the most dynamic and high-growth organized markets in the world, DAM Capital leverages deep domain knowledge across sectors and products, combined with the vast experience of its team, to provide strategic advisory and capital market solutions. The diverse and marquee clientele includes corporates, financial sponsors, institutional investors, and family offices. The company has provided services to 263 active clients, including registered FPIs spread across geographies such as India, the USA, the UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, the Middle East and South Africa. As of October 31, 2024, the company had a team of 121 employees across all businesses.

Objects of the issue

The company will not receive any proceeds from the issue as the entire issue is comprised of OFS.

Investment Rationale

Fastest-growing merchant bank in India

DAM Capital is the fastest-growing merchant bank in India by revenue CAGR from FY22 to FY24, with the highest profit margin in FY24 among the peers considered. Recognized as one of the leading investment banks in India, DAM Capital achieved a market share of 12.1% in FY24, based on the number of initial public offerings (IPOs) and qualified institutional placements (QIPs) undertaken as the book-running lead manager. As of FY24, 67% of revenue comes from merchant banking, followed by stock broking at 28.3%. From the date of acquisition on November 7, 2019, to October 31, 2024, DAM Capital successfully executed 72 ECM transactions, comprising 27 IPOs, 16 QIPs, 6 OFS, 6 preferential issues, 4 rights issues, 8 buybacks, 4 open offers, and 1 IPOs of units by a REIT. Additionally, 23 advisory transactions were completed, including M&A advisory, private equity advisory, and structured finance advisory, along with the execution of block trades during this period. Further, in the six months ended September 30, 2024, and Fiscal 2024, DAM Capital served as book-running lead manager to 5 and 17 IPOs and QIPs, respectively. Since the acquisition, market share has consistently improved from 8.2% in FY21 to 12.1% in FY24, based on the number of IPOs and QIPs undertaken as the book-running lead manager.

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

The company has established long-standing relationships with institutional investors, financial sponsors, corporates, and family offices, thanks to its experienced team and consistent client coverage. Many of these clients have provided repeat business, which reflects the company's ability to maintain strong, long-term relationships. By offering a comprehensive range of products and services, DAM Capital is able to successfully navigate through periods of market volatility, ensuring clients remain confident during uncertain times. DAM Capital aims to foster repeat business by transitioning from being solely transaction-focused to becoming a strategic partner to clients. The

Issue Details	
Offer Period	19 th Dec 2024 - 23 rd Dec 2024

Price Band	Rs. 269 to Rs. 283
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Bid Lot	53
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Listing	BSE & NSE
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Issue Size (no. of shares in mn)	29.69
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Issue Size (Rs. in bn)	8.40
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Face Value (Rs.)	2
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Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Nuvama Wealth Management Ltd.
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	45.88%	41.50%
Public	54.42%	58.50%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

company has executed significant repeat transactions with prominent clients. Noteworthy among these, Reliance Industries Limited undertook a Rs. 531,242 million rights issue in FY21. The Shapoorji Pallonji Group completed multiple transactions, notably a Rs. 15,000 million QIP in FY24 and a Rs. 54,300 million IPO of Afcons Infrastructure Limited. RBL Bank Limited engaged in several capital raises, including a Rs. 20,252.7 million QIP in FY20 and a Rs. 15,660 million preferential issue in FY21. Lastly, Kaynes Technology India Limited saw substantial activity with an Rs. 8,578.2 million IPO in FY23 and a Rs. 14,000 million QIP in FY24. These key transactions highlight DAM's robust engagement with major corporate clients, driving substantial financial activity.

Valuation

DAM Capital Advisors Limited, an Indian investment bank, offers expertise in ECM, M&A, PE, and institutional equities. Founded in 1993, it rebranded as DAM Capital in 2020, with a subsidiary in the USA. DAM is one of the leading investment banks in India, with a 12.1% market share based on a number of IPO offerings. India's strong economic growth has increased the demand for capital and financial services. In FY24, the Indian capital market experienced significant growth compared to FY23, with the number of issues rising from 234 in FY23 to 316 in FY24. As of October 2024, there have been 215 issues recorded for FY25. During FY24, approximately Rs. 619 billion was raised through primary markets, which included a total of 76 IPOs. In terms of volume, IPOs and FPOs accounted for 46% of total issuances, which encompassed IPOs, FPOs, InvITs, REITs, rights issues, and QIPs. Further, till October 2024, IPOs and FPOs made up 40% of the total issues based on volume. On the financial front, DAM Capital reported the highest growth in total income, achieving a CAGR of 38.8% between FY22 and FY24. The company's EBITDA rose to Rs. 1,030.2 million in FY24, up from Rs. 342.7 million, reflecting a CAGR of 73.4%. Additionally, the profit after tax increased to Rs. 705.2 million in FY24, compared to Rs. 219 million in FY22, representing a CAGR of 79.4%. Notably, DAM Capital had the highest profit margin among its peers, at 38.7% in FY24 and the first half of FY25. **The issue is valued at a price-to-earnings (P/E) ratio of 28.4x on the upper price band based on FY24 earnings, which is relatively expensive compared to its peers. However, considering the company's improving financials, its rapidly growing merchant banking business, and favourable industry trends, we recommend a "SUBSCRIBE" rating for the issue.**

Key Risks

- The ability to attract and retain clients, investors, and employees is highly dependent on reputation. Any reputational damage caused by non-compliance with the regulatory framework, inadequate due diligence standards, incorrect advice provided to clients, or failure to raise capital for clients in a timely manner can significantly affect the business and results of operations.
- DAM Capital competes directly or indirectly with various companies in the financial services industry, including merchant banking, broking, and financial advisory firms. Many competitors may have significantly greater capital, resources, and a broader range of financial products and services.
- The company's merchant banking and institutional equities are highly dependent on market and economic conditions. Any adverse market or economic conditions could significantly impact the business.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Revenue				
Revenue from Operations	934	849	1,800	1,078
Total Revenue	934	849	1,800	1,078
Expenses				
Fees and commission expenses	55	59	66	35
Employee benefit expenses	482	535	653	385
Other expenses	65	73	70	52
Total Operating Expenses	602	667	790	472
EBITDA	331	182	1,011	605
Depreciation and Amortization expenses	51	54	63	31
Other income	11	1	20	18
EBIT	292	130	967	592
Finance costs	12	11	12	7
PBT	280	119	955	586
Current tax	62	34	241	149
Deferred Tax charge/ (credit)	0	(2)	8	(1)
Total tax	61	32	249	148
PAT	219	87	705	438
Diluted EPS	3.10	1.23	9.98	6.19

Source: RHP, StoxBox

Cash Flow Statement (Rs in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	374	6,794	(5,950)	197
Cash flow from investing activities	(284)	(6,708)	6,582	(321)
Cash flow from financing activities	(31)	(42)	(43)	(59)
Net increase/(decrease) in cash and cash equivalents	59	45	590	(184)
Cash and cash equivalents at the beginning of the period	152	211	256	846
Cash and cash equivalents at the end of the period	211	256	846	662

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Assets				
Financial Assets				
Cash and cash equivalents	211	256	846	662
Bank Balance other than cash and cash equivalents	563	7,292	746	1,119
Receivables	472	1,869	237	487
Investments	80	60	40	44
Other financial assets	65	2,282	64	110
Total financial assets	1,391	11,760	1,932	2,423
Non-financial assets				
Current tax assets (net)	70	73	66	11
Deferred tax assets (net)	27	29	21	22
Property, plant and equipment	138	110	94	70
Intangibles under development	-	5	-	1
Other intangibles	4	3	5	3
Other non- financial assets	38	31	30	45
Total non-financial assets	276	252	214	152
Total Assets	1,667	12,012	2,147	2,574
Equity and Liabilities				
Equity Share Capital	141	141	141	141
Other Equity	738	810	1,485	1,884
Total Equity	880	951	1,626	2,025
Non-Current Liabilities				
Financial Liabilities				
Trade payables	470	10,705	27	44
Borrowings (Other than Debt Securities)	14	33	49	48
Other Financial liabilities	85	59	25	16
Lease Liabilities	-	-	-	-
Total financial liabilities	569	10,796	101	107
Non-financial liabilities				
Current tax liabilities (net)	-	-	21	101
Provisions	180	212	294	244
Other non-financial liabilities	38	52	105	97
Total non-financial liabilities	218	264	420	443
Total Equity and Liabilities	1,667	12,012	2,147	2,574

Source: RHP, StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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