

DAM
CAPITAL

DAM Capital Advisors Limited

DAM Capital Advisors Ltd

Rating SUBSCRIBE	Issue Opens On Dec 19, 2024	Issue Closes On Dec 23, 2024	Listing Date Dec 27, 2024	Price Band (INR) 269-283	Issue Size (INR Mn) 7,987-8,403
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Company Overview:

DAM Capital Advisors Limited is a leading Indian investment bank offering comprehensive financial solutions across investment banking—including Equity Capital Markets (ECM), Mergers & Acquisitions (M&A), Private Equity (PE), and structured finance advisory—and institutional equities through broking and research services. Since its acquisition in November 2019, the company has executed 72 ECM transactions, including IPOs, QIPs, offers for sale, preferential issues, buybacks, and REIT listings, along with 23 advisory transactions covering M&A, PE, and structured finance advisory. The institutional equities division, as of October 31, 2024, comprises 63 employees across research and broking, supporting 263 active clients, including FPIs across India, USA, UK, Europe, Asia, and other global markets. Backed by a team of 121 employees across businesses and a wholly-owned subsidiary, DAM Capital (USA) Inc., registered as a Broker-Dealer in New York, the company is well-positioned to deliver innovative financial solutions and capitalize on global growth opportunities.

Outlook and Valuation:

DAM Capital Advisors is positioned as a leading player in India's merchant banking space with multiple strong growth triggers. DAM Capital stands out due to its well-diversified business model, encompassing equity capital markets, institutional equities, and advisory services. The company has demonstrated a consistent improvement in market share, growing from 8.2% in FY21 to 12.1% in FY24 in terms of IPO and QIP issuances. The company's robust financial performance, reflected in its high profitability margins and revenue growth, highlights its operational efficiency and market positioning.

At the upper end of its IPO price band of INR 283, the company commands a valuation of 28.4x P/E, which is reasonable in light of its stellar growth metrics in revenue, EBITDA, and PAT, boasting the highest CAGR in its sector. By concentrating on high-margin merchant banking, the company distinguishes itself from competitors that predominantly engage in lower-margin businesses like retail broking, making it a compelling investment opportunity. DAM Capital's capacity to navigate changing market conditions, along with a robust pipeline of deals and a growing presence in the capital markets, positions it well to leverage the expanding opportunities within India's financial ecosystem. Given these factors, we assign a ‘SUBSCRIBE’ rating to the IPO.

Particulars (In INR Mn)	FY22	FY23	FY24
Total Income	945	850	1,820
EBITDA	331	182	1,011
EBITDA Margin (%)	36.3%	21.6%	56.6%
Profit After Tax	219	87	705
Net Worth	811	877	1,568
RONW (%)	27.0%	9.9%	45.0%

Source: IPO Prospectus

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	29.7
Fresh issue (# shares) (Mn)	-
Offer for sale (# shares) (Mn)	29.7
Price band (INR)	269-283
Post issue MCAP (INR Mn)	19,015-20,004

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	14,845,450	Max. 4,201	Not more than 50.0%
NIB	4,453,635	Min. 1,260	Not less than 15.0%
Retail	10,391,815	Min. 2,941	Not less than 35.0%
Net Offer	29,690,900	8,403	100.0%

Source: IPO Prospectus

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	45.9%	41.5%
Others	54.1%	58.5%
Total	100.0%	100.0%

Source: IPO Prospectus

Objects of the Offer	INR (in Mn)
NA	

Source: IPO Prospectus

BRLM
Nuvama Wealth Management Ltd

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Monday, Dec 23, 2024
Finalization of Basis of Allotment with Stock Exchange	Tuesday, Dec 24, 2024
Initiation of Refunds	Thursday, Dec 26, 2024
Credit of Equity Shares to Demat accounts	Thursday, Dec 26, 2024
Commencement of Trading of Eq. shares on NSE	Friday, Dec 27, 2024

Source: IPO Prospectus

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Company Overview:

DAM Capital Advisors Limited is India's leading and rapidly growing merchant bank, recognized for its high revenue growth and profitability. With a revenue CAGR of 38.8% from FY22 to FY24, the company has established itself as a key player in the Indian capital markets. It offers a wide range of services, including equity capital markets (ECM), mergers & acquisitions (M&A), private equity (PE), structured finance advisory, and institutional equities comprising broking and research. The company has successfully executed 72 ECM transactions, including 27 IPOs and 16 QIPs, and has advised on 23 M&A and PE deals since its acquisition in 2019. DAM Capital's institutional equities business services 263 active clients across multiple global regions, including India, the USA, Europe, and Asia.

In 2019, DAM Capital (formerly known as IDFC Securities) was acquired by DAM Capital Advisors Ltd., a firm backed by the Dalmia Group. This acquisition marked a significant strategic move as DAM Capital shifted its focus towards expanding its Merchant Banking and Investment Banking verticals, which now form a major part of its revenue streams.

Led by Dharmesh Anil Mehta, who has over 25 years of experience, the company has achieved strong financial performance, with total income reaching INR 1,820 Mn in FY24. It has a talented team of 121 employees, including seasoned professionals with an average of over 15 years of experience. DAM Capital's expertise, client relationships, and execution capabilities have driven its success. Additionally, the company is supported by a diverse board of directors and marquee investors. DAM Capital also operates through its wholly-owned subsidiary, DAM Capital (USA) Inc., enhancing its reach to institutional investors in the United States.

Business operations

DAM Capital's principal business includes merchant banking and institutional equities. The table below sets forth its revenue from each of its principal businesses for the six months ended September 30, 2024, and the last three Fiscals:

Particulars	H1FY25	FY24	FY23	FY22
Merchant Banking (INR in Mn)	592	1,224	510	605
Percentage of Total Income	54.1%	67.2%	60.0%	64.0%
Stock Broking (INR in Mn)	433	515	304	309
Percentage of Total Income	39.5%	28.3%	35.8%	32.7%

Source: IPO Prospectus

➤ Merchant Banking:

DAM Capital is a SEBI-registered merchant banker that provides a wide range of financial services aimed at helping clients achieve strategic goals. Key services under this division include:

- **Equity Capital Markets (ECM):** This segment assists corporates and financial sponsors in domestic and international fund-raising activities. DAM Capital is a prominent player in the Indian ECM space, holding a 12.1% market share in IPO and QIP activities during FY24. Key services include IPOs, QIPs, REITs, OFS, rights issues, and preferential issues. The firm also helps clients with buybacks, delisting, open offers, and schemes of arrangements to enhance shareholder value.
- **Mergers & Acquisitions (M&A):** DAM Capital provides advisory on both domestic and cross-border M&A. Their advisory experience spans complex transactions, such as the acquisition of Glenmark Life Sciences by the Nirma Group and advising Sterling and Wilson Solar during its acquisition by Reliance New Energy Solar Ltd. The firm also facilitates private equity investments and exits, working closely with global PE funds and financial sponsors.
- **Structured Finance Advisory:** DAM Capital specializes in raising capital through leveraged products tailored to the needs of sponsors or companies. They work with non-banking financial companies (NBFCs), alternative investment funds (AIFs), and credit funds, maintaining strong relationships with capital providers to facilitate structured financing.

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➤ Institutional Equities:

DAM Capital's Institutional Equities platform offers research, sales, and trading services to institutional clients, including foreign institutional investors (FIIs), mutual funds, insurance companies, PE funds, and sovereign wealth funds.

• Research:

As of October 31, 2024, DAM Capital's research team is made up of 29 employees who cover 22 sectors and provide insights on 176 companies. The team is led by 10 lead analysts with an average experience of 13.4 years. Each lead analyst works with research associates who assist in creating detailed reports on their respective sectors and companies. These reports are typically released after quarterly earnings announcements or significant corporate actions, offering insights into company performance and strategy.

DAM Capital also hosts earnings calls for listed companies, allowing them to discuss the previous quarter's performance and communicate their strategic direction to investors. The research reports on individual companies include ratings—buy, sell, or neutral—based on analysts' estimates and assessments of each company's prospects. For companies outside the team's coverage, DAM Capital releases unrated reports based on their interactions and assessments.

DAM Capital Advisors Limited offers a comprehensive research coverage that includes the following segments:

1. **Fundamental Company & Sector Research:** DAM Capital's fundamental research includes detailed company and sector reports, quarterly results, management meeting notes, and event updates. This provides clients with insights into the financial health and prospects of companies and sectors, backed by deep analysis.
2. **Macroeconomic Research:** The firm regularly releases a monthly and weekly compendium of economic variables that affect markets. This is complemented by impact reports analyzing the effects of significant economic events, helping clients understand macroeconomic drivers impacting investment strategies.
3. **Differentiated Products:** In addition to traditional updates, DAM Capital provides several differentiated research products to cater to the diverse needs of institutional clients:
 - **Thematic Research:** Focuses on disruptive medium- and long-term trends, analyzing themes that are shaping the future, such as advancements in technology or global sustainability movements.
 - **India Macro Strategy:** DAM Capital evaluates key macro drivers, sector-specific equity flows, and foreign portfolio investments (FPI) and domestic institutional investments (DII). This analysis includes tracking year-on-year changes in sectoral trends.
 - **Quarterly Previews:** The firm offers sectoral expectations and performance calls, providing company-specific forecasts for sectors, helping clients set expectations for upcoming earnings.
 - **Weekly Insights:** Using a comprehensive database of fundamental and technical parameters, DAM Capital identifies market outliers—companies that are performing significantly better or worse than their sector.
 - **Institutional Fund Flows:** Periodic analysis of fund flows from different market participants, such as mutual funds, insurance companies, and FPIs, helps clients spot emerging trends across sectors and make data-driven investment decisions.
 - **India Inc. Ownership:** Tracking and analyzing ownership shifts in NSE-500 stocks, DAM Capital identifies changes in the investor base, helping institutional clients understand stock ownership dynamics.
 - **Bespoke Research:** DAM Capital offers customized research tailored to specific client needs, providing in-depth, client-specific reports on companies, sectors, or macroeconomic factors.

These diverse research offerings enable DAM Capital to provide comprehensive, data-driven insights that support its institutional clients in making informed investment decisions across sectors and macroeconomic landscapes.

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➤ Institutional Equities:

• Broking:

DAM Capital's broking division is a key part of its business, comprising four main functions: Sales, Sales Trading and Execution, Corporate Access, and Research-Driven Engagement. The team, with an average work experience of 23 years, consists of 34 employees and engages with 263 clients across diverse global markets, including India, the USA, the UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, the Middle East, and South Africa.

1. Sales:

- The sales team focuses on pitching investment ideas, including primary and secondary offerings.
- They also organize corporate meetings, investor conferences, and on-ground interactions to promote market opportunities.
- Sales representatives are assigned to buy-side firms based on geographical presence and relationship strength, ensuring personalized engagement.
- Each sales representative communicates regularly with fund managers and other key personnel to recommend investment ideas and stocks, relying on inputs from the research team to provide tailored recommendations.

2. Sales Trading and Execution:

- The sales trading and execution desk is divided into two categories: cash and derivatives.
- The trading team is in constant communication with clients' trading desks, negotiating and executing trades to generate commissions.
- Execution services include handling block trades and client instructions, ensuring seamless transactions across various segments.

3. Corporate Access:

- DAM Capital arranges investor interactions through conferences, roadshows, and expert calls, acting as an intermediary between corporates and investors.
- These events facilitate corporate access, providing institutional investors with direct access to key management and stakeholders from listed companies.

Stock Broking Income: Stock Broking income for FY24, FY23, and FY22 was INR 514.60 Mn, INR 304.04 Mn, and INR 308.60 Mn, respectively, showing a steady contribution to the company's total income, which accounted for 39.47% of total income in FY24. This broking division plays a crucial role in connecting institutional investors to market opportunities, supported by a seasoned team and strong global reach.

DAM Capital Advisors Ltd

Peer Comparison:

DAM Capital primarily engages in two main segments: merchant banking and stock broking. The merchant banking segment accounts for 67.2% of its total income, making it the leading contributor among its competitors, followed by stock broking at 28.3% and other income at 4.5%. In contrast, competitors such as ICICI Securities generate most of their revenue from retail and equities, IIFL Capital focuses on retail broking, JM Financial offers integrated services and merchant banking accompanied by mortgage lending, and Motilal Oswal emphasizes capital market services and activities alongside asset and wealth management. Although these competitors operate across different segments, there are some comparable business areas among them.

From FY22 to FY24, DAM Capital demonstrated the highest growth in total income, boasting a compound annual growth rate (CAGR) of 38.8%. This was followed by IIFL Capital, which achieved a CAGR of 30.2%. DAM Capital's CAGR of 38.8% significantly exceeds that of its competitors, including IIFL Capital. The merchant banking segment of DAM Capital contributes 67.2% of its revenue, highlighting its leadership within a high-margin sector, while other competitors tend to focus more on retail broking, capital market services, or integrated offerings. This targeted strategy gives DAM Capital a competitive advantage.

In FY24, DAM Capital not only led the industry in fees and commission income—making up 95.5% of its total revenue—but also demonstrated exceptional operational efficiency, recording the highest EBITDA growth with a CAGR of 73.4%. Additionally, it achieved outstanding PAT growth at a CAGR of 79.4%. This performance sets it apart from its peers, such as Motilal Oswal, which reported a PAT CAGR of 36.6%. Remarkably, DAM Capital recorded a PAT of INR 705.2 Mn in FY24, reflecting a staggering growth of 712.8% YoY. This upward trajectory positions DAM Capital as a powerhouse for investors looking for robust growth potential.

DAM Capital has a P/E of 28.4x, which is higher than IIFL (21.4x), ICICI Securities (16.7x), and Motilal Oswal (24.0x) but much lower than JM Financial (32.2x). While DAM Capital's P/E is slightly above some peers, it reflects high growth potential. Companies with strong growth (high CAGR) typically command a higher P/E. DAM Capital has a P/B ratio of 12.8x, which is higher than most peers (IIFL 7.2x, ICICI Securities 6.2x, Motilal Oswal 6.7x). The higher P/B is supported by exceptional growth in Return on Equity (54.7%) and Net Worth.

Particulars	DAM Capital Advisors Ltd	ICICI Securities Ltd	IIFL Capital Services Ltd	JM Financial Ltd	Motilal Oswal Financial Services Ltd
Net Total Income (INR in Mn)	1,820	50,511	22,313	48,322	71,305
EBITDA Margins (%)	56.6%	66.8%	42.3%	40.7%	57.8%
CMP	283	875	359	138	987
Market Capitalization (INR in Mn)	20,004	28,444	11,086	13,237	58,661
P/E (x)	28.4	16.7	21.4	32.2	24.0
P/B (x)	12.8	7.2	6.2	1.2	6.7
Basic EPS (INR)	10.0	52.5	16.7	4.3	41.2
Fees and Commission as % of total Income	95.5%	64.7%	81.3%	22.7%	51.2%
Return on Equity (%)	54.7%	50.1%	32.7%	0.2%	32.5%
Return on Net worth (%)	45.0%	43.3%	28.7%	0.3%	27.9%
Net Asset Value per equity share (INR)	22.2	121.3	58.1	115.7	147.1

Source: IPO Prospectus, DevenChoksey Research

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Industry Overview

Overview of Equity Capital Market in India:

The Equity Capital Markets (ECM) industry in India is witnessing significant growth, driven by rising market activity, increased investor participation, and higher corporate demand for capital raising. The ECM involves IPOs, QIPs, Rights Issues, OFS, and structured financial products like REITs/InvITs.

Key Trends and Developments:

- **Increase in ECM Issuances:** The number of issues grew from 234 in FY23 to 316 in FY24, driven by a strong rally in capital markets and growing retail investor participation. As of H1 FY25, 215 issues have been recorded, reflecting continued market momentum.
- **Retail Investor Participation:** Retail participation has surged, supported by easier access to demat accounts and growing financial literacy. Total demat accounts reached 152 Mn in FY24 and 175.4 Mn by H1FY25.
- **Increased Corporate Demand:** More companies are reaching a scale suitable for IPOs, reflecting growth in sectors like financial services, consumer durables, and healthcare. The rise in corporate debt and equity issuance is fueled by strong GDP growth and revival in the private sector capex cycle.
- **IPO Size and Segmentation:** Large-sized IPOs are becoming more prominent, with 29.0% of issues in FY24 valued above INR 25 Bn. Mid-sized IPOs (INR 6-15 Bn) also accounted for a substantial share. Sectors like Financial Services, Consumer Services, and Healthcare dominate ECM activity.

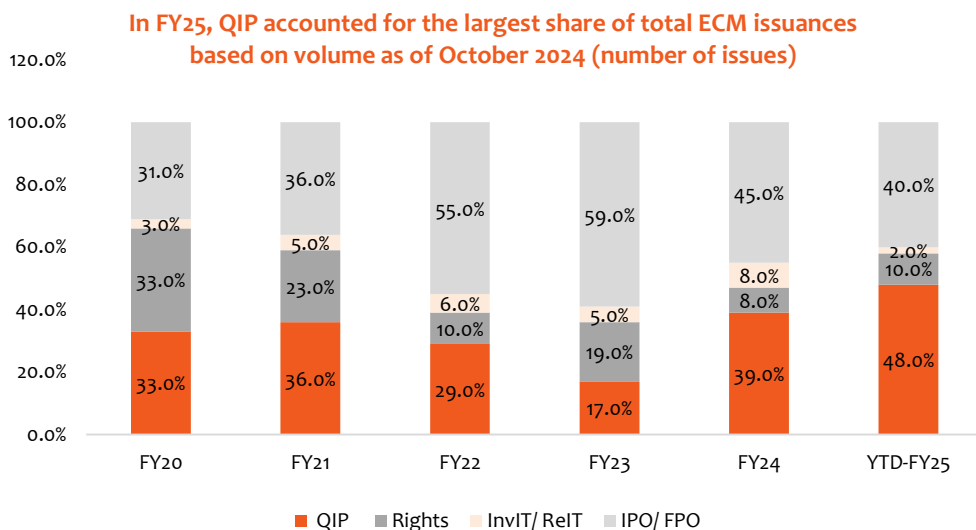
Competitive Landscape:

The ECM segment has become highly competitive, with players like IIFL Capital, Axis Capital, JM Financial, and DAM Capital gaining significant market share. DAM Capital holds a 12.1% market share in FY24, demonstrating its growing influence in the ECM space.

Growth Drivers:

1. **Macroeconomic Growth:** Robust GDP growth and favorable demographics are driving demand for equity and debt capital.
2. **Regulatory Reforms:** Initiatives like GST, IBC, and T+1 settlement cycles have enhanced market efficiency.
3. **Rise in Retail and Institutional Participation:** Growing interest from retail investors and foreign institutional investors (FIIs) has increased market liquidity
4. **Innovative Products:** Growth in REITs/InvITs and new structured financial products adds depth to the ECM space.

The ECM industry in India is expected to sustain its growth trajectory, driven by strong corporate demand, rising investor confidence, and a robust regulatory framework.



Source: IPO Prospectus

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Industry Overview

Overview of structured finance and debt syndication in India:

- Wholesale credit in India refers to lending services provided to medium-sized and large corporate firms, institutional clients, and real estate developers by banks and financial institutions. It includes both short- and long-term funding, with long-term loans forming the majority of the loan book. Mezzanine financing, a combination of debt and equity, is also used to meet funding needs, typically involving warrants or convertible preference shares.
- Structured finance is an important method for meeting the financing requirements of issuers and investors, involving large financial institutions. Non-Banking Financial Companies (NBFCs) have increasingly explored securitization to raise funds, using structures like direct assignment (DA) and pass-through certificates (PTC), which involve pooling loans and transferring credit risk to another party.
- The wholesale credit market has experienced notable changes in recent years. NBFC funding to the real estate sector has evolved in size and complexity. Public and private placements of non-convertible debentures (NCDs) saw fluctuations, with NCD issues recovering in FY24 after a dip in the previous years.
- The growth of wholesale credit is driven by factors such as the revival of the capital expenditure (capex) cycle, particularly in housing, roads, and railways, and lenders' increased focus on credit diversification and risk management. These factors create opportunities for both lenders and borrowers in the wholesale credit space.

Overview of Institutional equity in India:

- The institutional equity industry in India is a key pillar of the financial sector, catering to institutional investors like mutual funds, insurance companies, and large investment firms.
- Services in the industry include brokerage, research and advisory, portfolio management, IPOs/FPOs offerings, structured products, and fixed income products.
- **Turnover growth:**
 - Equity cash market turnover grew at a 20.0% CAGR, totaling INR 217 Tn in FY24.
 - Equity derivatives market turnover grew at a 105.9% CAGR, totaling INR 87,956 Tn in FY24.
 - Equity cash market ADTO (Average Daily Turnover) reached INR 883.4 Bn with a CAGR of 20.2% from FY19 to FY24.
 - Equity derivatives ADTO grew 62.4% from FY19 to FY24, reaching INR 135.5 Tn in FY24.
- **Institutional equity participation:**
 - Proprietary investor share in equity derivatives rose from 22.0% in FY19 to 28.2% in FY24.
 - The share of institutional investors (FIIs and DIIs) in the cash market turnover remained stable at 14.8% and 11% respectively in FY24.
 - Block deal volumes increased significantly, from 419 deals worth INR 457 Bn in FY19 to 1,374 deals worth INR 1,470 Bn in FY24.
- **Growth drivers:**
 - India's large, youthful workforce (over 60.0% in the working age group) and rising life expectancy are boosting long-term investment in equity markets.
 - Strong economic growth, corporate earnings, and favorable government policies are driving institutional participation in equities.
- **Mutual funds and SIPs:**
 - Mutual fund AUM grew at a 17.5% CAGR, reaching INR 53,402 Bn by FY24.
 - SIP investments in mutual funds increased from INR 926.9 Bn in FY19 to INR 1,992.2 Bn in FY24 (CAGR: 16.5%).
- **Insurance companies and AUM:**
 - Insurance companies' AUM grew at an 11.8% CAGR from INR 38.5 Tn in FY19 to INR 60.0 Tn in FY23, further fueling capital market activity.
- **Institutional inflows:**
 - Domestic Institutional Investors (DIIs) maintained strong net inflows of INR 2.1 Tn in FY24, totaling over INR 6.5 Tn in the last three years.
 - Foreign Institutional Investors (FIIs) became more active in FY24, with a net inflow of INR 2.1 Tn.

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Industry Overview

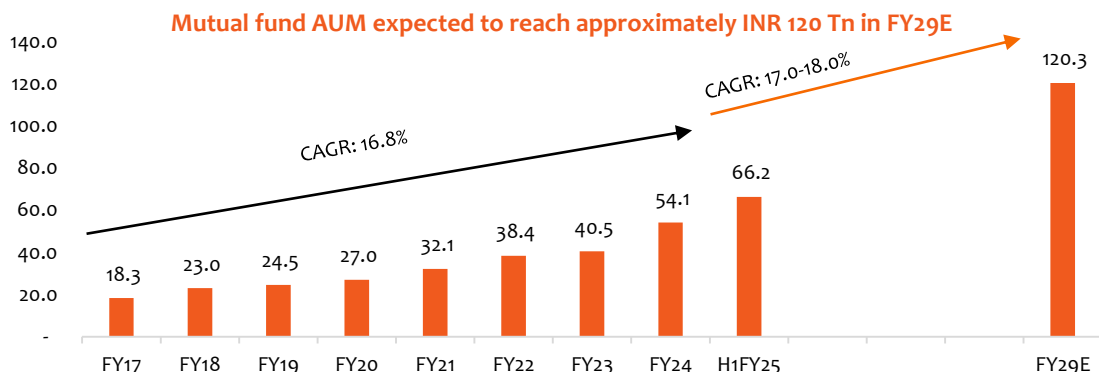
Overview of Asset Management Industry in India:

- The Indian mutual fund industry's AUM grew at a CAGR of 16.8% from INR 13.52 Tn in FY16 to INR 54.13 Tn in March 2024. AUM surged by 34.0% YoY in FY24, reaching INR 54.13 Tn due to robust stock market performance, increased retail investor participation, and improved macroeconomic conditions.
- The mutual fund AUM is projected to grow at a CAGR of 17-18% from FY24 to FY29E, reaching approximately INR 120 Tn by FY29E. As of H1FY25, the mutual fund AUM reached INR 66.22 Tn.
- India's mutual fund penetration is still relatively low at 16.9% in 2023 compared to global peers.
- Net inflows into mutual funds rose at a CAGR of 26.5% from FY19 to FY24, with sharp inflows in FY24 after a decline in FY23. Retail participation through SIPs grew significantly, with monthly inflows increasing from INR 100.4 Bn in FY2 to INR 166.0 Bn in FY24.
- Open-ended funds AUM accounted for 99.5% of total AUM as of March 2024, with equity-oriented AUM representing 44.2% of it.
- Debt mutual funds' share declined to 23.8% in FY24 from 30.2% in FY23 due to outflows. Equity AUM is expected to grow at 20.0-21.0% CAGR between FY24 and FY29E, with ETFs growing the fastest at 22.0-23.0% CAGR. Debt mutual funds are expected to grow at a slower pace of 10.0-11.0% CAGR due to the high-interest-rate environment. Liquid/money market funds grew by only 0.8% in FY24 but are expected to grow at 8.0-9.0% CAGR from FY24 to FY29E.
- **Key drivers for mutual fund industry growth:** technological advancements, rising SIP popularity, increased risk appetite, higher disposable income, deeper regional penetration, and improved awareness.
- Non-associate distributors' share in mutual fund AUM increased to 87.4% in FY24 from 86.1% in FY19.
- Direct plans now account for 44.9% of AUM, up from 41.1% in FY19, but regular plans still dominate with a 55.0% share. Top 10 mutual fund distributors accounted for 56.4% of total commissions in FY24, reflecting consolidation towards distributors with established networks and technological platforms.

Overview of Portfolio Management Services in India:

Portfolio Management Services (PMS) in India are offered by AMCs, banks, brokerages, and independent investment managers.

- PMS provides customized services such as discretionary, non-discretionary, and advisory offerings, tailored to specific investment objectives. Services cover stocks, cash, fixed income, debt, structured products, and other individual securities. The PMS industry has grown significantly over the last five years, driven by increasing numbers of HNIs, greater need for customized asset allocation, and growing awareness of PMS as a product. As of March 2024, the AUM of PMS asset managers stood at approximately INR 33.2 Tn, reflecting a CAGR of 15.6% from FY19 to FY24.
- Three types of PMS:
 - **Discretionary PMS** – Investment decisions are at the discretion of the fund manager; clients do not intervene.
 - **Non-discretionary PMS** – Clients, often institutional clients, are involved in the decision-making process.
 - **Advisory PMS** – Managers provide clients with investment strategies and advice.
- PMS AUM has increased from INR 16.1 Tn in FY19 to INR 33.2 Tn in FY24, reflecting a 15.6% CAGR.
- PMS has been gaining traction alongside mutual funds in the asset management space.



Source: IPO Prospectus

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Growth Strategies :

Strengthening competitive position in existing business lines: DAM Capital is committed to enhancing its presence in the merchant banking space by strategically targeting high-growth sectors such as renewable energy, technology, and financial services. It aims to deepen expertise in emerging products like Infrastructure Investment Trusts (InvITs), offshore listings, and hybrid instruments, catering to the growing demand for innovative financing solutions.

The company plans to leverage its reputation for high-quality advisory to capture a larger market share in transactions such as venture capital funding, private equity placements, and cross-border mergers and acquisitions (M&A). Additionally, DAM Capital intends to conduct knowledge-sharing initiatives, such as seminars and industry events, to strengthen its positioning as a thought leader in investment banking while attracting more corporate and institutional clients.

Enhancing the institutional equities platform: To solidify its equity research platform, DAM Capital is expanding its coverage into future-ready sectors like artificial intelligence, clean technology, and semi-conductors, alongside its traditional strongholds. Recognizing the increasing global interest in Indian equities, the company is focusing on attracting more foreign institutional investors (FIIs) by showcasing investment opportunities across India.

The enhancement of corporate access programs, such as investor meetings and conferences, aims to facilitate better dialogue between corporates and institutional clients. By integrating advanced analytical tools and AI into its research methodologies, the company seeks to provide differentiated and actionable insights to clients. Moreover, improvements in sales trading capabilities, including faster execution, enhanced liquidity, and robust IT systems, will further strengthen client satisfaction and engagement.

Developing long-term client partnerships: DAM Capital envisions becoming a one-stop financial partner for its clients by supporting them across their entire lifecycle. This includes helping startups and mid-sized firms secure private equity or venture capital funding during their early growth stages, guiding them through IPOs during expansion, and offering M&A advisory for diversification or consolidation.

By consistently supporting these companies post-listing through advisory services, DAM Capital plans to build enduring client relationships. The company also intends to offer customized, sector-specific financial solutions that align with the unique needs of its clients, creating a strong loyalty base. Its relationship-driven model emphasizes proactive engagement, which involves anticipating client needs and delivering solutions before they are formally requested.

Expanding into complementary fee-based businesses: To diversify its revenue streams, DAM Capital plans to enter retail broking and asset management, leveraging its existing brand reputation and client base. In retail broking, the company intends to focus on providing user-friendly digital platforms for retail investors, supported by robust research insights tailored for individual clients.

In asset management, DAM Capital seeks to capitalize on the growing Indian mutual fund industry, which is expected to grow exponentially due to rising disposable incomes, increasing retail participation, and greater financial literacy. The asset management vertical will likely focus on actively managed funds, thematic funds targeting emerging sectors, and long-term investments such as ELSS (Equity-Linked Savings Schemes). The company plans to use technology to optimize operations and improve scalability in these new verticals.

Leveraging technology and innovation: Recognizing the critical role of technology in maintaining a competitive edge, DAM Capital is prioritizing digital transformation across its operations. The company plans to integrate artificial intelligence (AI) into its equity research processes, enabling faster, more accurate analysis of market trends and financial metrics. It also aims to adopt data analytics tools to better understand client behavior, allowing for more personalized advisory services and tailored solutions.

In addition to improving internal efficiencies, DAM Capital will use cloud-based solutions to enhance system scalability and reduce operational costs. Digital platforms will also be optimized to provide clients with seamless access to reports, trade executions, and performance tracking. This focus on technology ensures that DAM Capital remains agile in responding to evolving market demands.

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Risks:

Regulatory and Compliance Risks:

- **Highly Regulated Industry:** Operating in a stringent regulatory environment where compliance with SEBI and other regulations is critical. Non-compliance or delay in obtaining licenses can adversely impact operations.
- **Changes in Laws:** Frequent amendments to tax structures, capital gains, and trading norms can affect revenue streams.
- **International Operations:** Exposure to U.S. regulatory requirements through the subsidiary DAM USA increases compliance risks.

Business and Operational Risks:

- **Revenue Concentration:** Significant reliance on two main streams—advisory fees and brokerage—which are tied to macroeconomic conditions.
- **Negative Cash Flow:** Past instances of negative cash flow from operations could continue, impacting financial stability.
- **Dependence on Key Personnel:** The business is heavily reliant on the leadership of its Promoter, Managing Director, and Key Management Personnel.
- **Third-Party Reliance:** Risks due to dependence on intermediaries, vendors, and other service providers for critical functions.

Market and Economic Risks:

- **Market Volatility:** The merchant banking and equity business is highly sensitive to economic downturns, interest rate hikes, and geopolitical tensions, which could reduce transaction volumes and investor confidence.
- **Global Economic Slowdown:** Slow growth in major economies (e.g., U.S., China, Eurozone) can affect export-driven businesses, impacting demand for advisory services.

Technology and Cybersecurity Risks:

- **Dependence on IT Systems:** Failures or inadequacies in IT infrastructure can disrupt critical operations, including trading and client interactions.
- **Cybersecurity Threats:** Increasing vulnerability to data breaches and cyber-attacks that can harm reputation and financial outcomes.

Financial and Strategic Risks:

- **Outstanding Borrowings:** Debt levels and restrictive loan covenants limit operational flexibility. A default on obligations could affect liquidity.
- **Conflicts of Interest:** Overlaps in directorships with competitors could lead to conflicts that affect business outcomes.
- **Operational Failures:** Errors in research, trading processes, or compliance can lead to financial losses and penalties.

Legal and Reputational Risks:

- **Litigation and Penalties:** Exposure to legal actions due to regulatory non-compliance, operational errors, or contractual breaches.
- **Reputational Damage:** Any negative perception due to market practices or failures in client service could significantly reduce client trust.

Reputational and Client Risks:

- **Errors in Research or Advice:** Operational risks in the merchant banking segment, such as incorrect research dissemination, could damage client trust and result in penalties.
- **Data Security:** Vulnerabilities to cyber-attacks or data breaches could harm the company's reputation and financial stability.

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SWOT Analysis



Strengths:

- Fastest-Growing Merchant Bank in India:** Highest revenue CAGR (38.8%) from FY22 to FY24, with a 12.1% market share in FY24 for IPO and QIP activities.
- Experienced Management and Talented Team:** Led by Dharmesh Anil Mehta with a team of 121 employees, of which 45.0% have over 18 years of experience.
- Track Record in Equity Capital Market (ECM) Transactions:** Managed 17 IPOs and QIPs in FY24, showing strong presence in equity capital markets.
- Robust Institutional Equities Platform:** Strong institutional equities business with 263 active clients across global markets.
- Proven Execution Across Sectors:** The company has executed transactions across various sectors, including pharmaceuticals, technology, infrastructure, and retail, consistently identifying niche opportunities for early market entry.



Weaknesses:

- Market Dependency:** Over-reliance on capital market activities, making revenue streams cyclical.
- Lack of Historical Public Listing:** No market track record as this is the first IPO, which could deter some investors.
- Geographic Concentration:** Limited exposure outside of India may restrict growth opportunities.
- Competition with Larger Players:** Struggles to match resources and client reach of well-established multinational firms.
- Operational Scalability:** Challenges in rapidly scaling operations to match growth in demand or international opportunities.
- Limited Brand Awareness:** Compared to market leaders, the brand recognition may be lower.



Opportunities:

- Expanding Indian Financial Market:** Growth in domestic investments and IPO activities provides an expanding market.
- Digital Transformation:** Adopting fintech solutions can improve efficiency, client acquisition, and service innovation.
- Global Investor Interest:** Increasing FDI and FPI inflow into India opens opportunities for advisory services.
- Untapped Mid-Tier Clients:** Scope to serve small and mid-cap companies that are underrepresented in financial advisory services.
- Cross-Border Transactions:** Growing interest in cross-border M&A and investments creates new business avenues.
- Regulatory Incentives:** Government initiatives to promote startups and SMEs could spur demand for advisory services.



Threats:

- Economic Volatility:** Global or domestic economic downturns could significantly impact transaction volumes.
- Regulatory Risks:** Changes in SEBI and RBI policies could affect operations or profitability.
- High Competition:** Intense competition from established domestic and international investment banking firms.
- Technological Disruptions:** Competitors with advanced tech capabilities may erode market share.
- Investor Sentiment:** Dependence on positive market conditions and investor confidence for business growth.

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Financials:

Income Statement (INR Mn)	FY22	FY23	FY24
Interest Income	16	35	62
Finance Cost	12	11	12
Net Interest Income (NII)	5	24	50
Fee and commission income	914	814	1,738
Other Income	15	2	20
Total Operating Income	934	839	1,808
Operating expenses	653	721	853
Profit before tax	280	119	955
Tax expense	61	32	249
Profit after Tax	219	87	705
Basic EPS (INR)	3.1	1.2	10.0
Diluted EPS (INR)	3.1	1.2	10.0

Cash Flow (INR Mn)	FY22	FY23	FY24
CFFO	374	6,794	-5,950
CFFI	-284	-6,708	6,582
CFFF	-31	-42	-43
Net Increase/(Decrease) in Cash	60	45	590
Cash at beginning	152	211	256
Forex	0	0	0
Cash at the end	211	256	846

Balance sheet (INR Mn)	FY22	FY23	FY24
Financial Assets			
Cash & Cash equivalents	211	256	846
Bank Balances other than Cash & Cash Equivalent	563	7,292	746
Receivables	472	1869	237
Investments	80	60	40
Other Financial Assets	65	2,282	64
Total Financial Assets	1,391	11,760	1,932
Non-Financial Assets			
Current tax Assets (Net)	70	73	66
Deferred Tax Assets (Net)	27	29	21
Property, Plant & Equipment	138	110	94
Intangible assets under development	0	5	0
Other intangible assets	4	3	5
Other non-financial assets	38	31	30
Total Non-Financial Assets	276	252	214
Total Assets	1,667	12,012	2,147
Liabilities			
Financial Liabilities			
Payables	470	10,705	27
Debt Securities	0	0	0
Borrowings (other than debt securities)	14	33	49
Other Financial Liabilities	85	59	25
Total Financial Liabilities	569	10,796	100
Non-Financial Liabilities			
Current tax Liabilities (net)	0	0	21
Provisions	180	212	294
Other non-financial liabilities	38	52	105
Total Non-financial Liabilities	218.01	263.82	420.28
Equity			
Equity Share Capital	141	141	141
Other Equity	738	810	1,485
Total Shareholders' Fund	880	951	1,626
Total Equity & Liabilities	1,667	12,012	2,147

Source: IPO Prospectus, Deven Choksey Research

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ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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