

# Anand Rathi Wealth

Estimate change	
TP change	
Rating change	

Bloomberg	ANANDRAT IN
Equity Shares (m)	42
M.Cap.(INRb)/(USDb)	165.9 / 1.9
52-Week Range (INR)	4646 / 2573
1, 6, 12 Rel. Per (%)	0/5/36
12M Avg Val (INR M)	264

Financials & Valuations (INR b)			
Y/E March	2025E	2026E	2027E
Revenues	9.6	12.2	14.4
Rev Gr. (%)	32.7	27.1	18.0
Opex	5.5	6.8	7.9
PBT	4.1	5.3	6.4
PAT	3.0	3.9	4.8
EPS (INR)	73.0	95.2	114.8
EPS Gr. (%)	35.0	30.3	20.6
BV/Sh. (INR)	169.2	240.1	324.5
Ratios (%)			
EBIDTA Margin	43.3	44.3	45.1
PAT margin	31.5	32.3	33.0
RoE	44.8	46.3	40.5
Div. Payout	27.4	25.2	26.1
Valuations			
P/E (x)	54.4	41.7	34.6
P/BV (x)	23.5	16.5	12.2
Div. Yield (%)	0.5	0.6	0.8

Shareholding Pattern (%)			
As On	Sep-24	Jun-24	Sep-23
Promoter	48.0	48.1	48.7
DII	8.0	8.3	10.3
FII	5.3	5.0	1.8
Others	38.7	38.6	39.2

FII includes depository receipts

**CMP: INR3,998**      **TP: INR4,200 (+5%)**      **Neutral**

## PAT in line with estimates; EBITDA margins expand QoQ

- Anand Rathi Wealth (ARWL) reported operating revenue at INR 2.4b in 3QFY25, up 30% YoY (6% miss). The overall revenue growth was driven by a 52% YoY increase in the MF business revenue, which reached INR1.1b. For 9MFY25, the overall revenue from operations grew 33% YoY to INR7.2b.
- Opex grew 27% YoY to ~INR1.3b, but declined 6% sequentially due to 8% decline in employee costs to INR1b. As a result, the cost-to-income ratio improved 141bp YoY and 224bp QoQ, reaching 54.8% in 3QFY25 (vs 56.3% in 3QFY24 and our estimate of 56.6%).
- PAT for the quarter stood at INR773m, reflecting a 33% YoY growth (in line with our estimates). For 9MFY25, it grew 34% YoY to INR2.3b. PAT margins for 3QFY25 expanded 79bp YoY to 32.6%. (MOFSLe at 31.6%).
- We expect ARWL to report an AUM/revenue/PAT CAGR of 26%/26%/28% during FY24-27. With a robust cash generation (INR8.9b of OCF during FY24-27E), an RoE of 40%+, and a healthy balance sheet, the company's valuation is well-priced at 42x FY26E P/E. We have cut our FY25/26/27 EPS estimates by 3%/7%/6% to factor in slower AUM growth. **We maintain a NEUTRAL rating on the stock with a one-year TP of INR4,200 (premised on 40x Sep'26E P/E).**

## AUM growth backed by MF flows, given the guidance is maintained

- The total AUM came in at INR764b (+39% YoY) as the ticket size of clients increased, leading to robust inflows. The Private Wealth/Digital Wealth AUM grew 39%/23% YoY to INR745.7b/INR18.3b, respectively.
- The company has seen the highest-ever quarterly net inflows of INR34.5b, up 18% YoY, with equity net flows at INR27.2b, up 39% YoY, despite weak market sentiments. Management expects some equity net flows to moderate going ahead. For 9MFY25, it grew 69% YoY to INR91.5b, with equity flows growing 51% YoY to INR58.3b.
- The share of customers with AUM of INR500m+ has increased to 25% in 3QFY25 from 22% in 3QFY24.
- It aims to gain ~4% market share (currently 1.8%) in equity net flows. The share of equity in AUM grew to 55% from 52% in 3QFY24.
- Opex grew 27% YoY to ~INR1.3b but declined 6% sequentially due to an 8% decline in employee costs to INR1b. This resulted in a 140bp YoY and 225bp QoQ decline in the cost-to-income ratio to 54.8% (vs our estimate of 56.6%). Other expenses increased 21% YoY to INR294m.
- EBITDA for 3QFY25 grew 34% YoY to INR1.1b, with EBITDA margins up 140bp YoY to 45.2%. For 9MFY25, it grew 34% YoY to INR3.1b. Management guides to maintain PBT margins at 40-41%.
- The company recorded one of the lowest regret RM attrition rates in the industry at 0.14% in 3QFY25 vs 0.29% in 3QFY24.
- Of the FY25 guidance for Revenue/PAT at INR9.8b/2.95b, the company has already achieved 75%/77% of the guidance as of 9MFY25.

### Highlights from the management commentary

- Client attrition was lower at 0.14% in 3QFY25/0.32% in 9MFY25. The company has added 1,785 clients over the last 12 months, bringing the total to 11,426 families.
- Management guides for structured products to be in the range of 25-35% of the overall AUM mix.
- The company plans to begin its operations in the wealth management business in the UK market, though it will take 6-9 months to establish.

### Valuation and view

- ARWL is one of the few companies in the listed universe space that has consistently outperformed its stated guidance. For FY23/FY24, it beat its revenue guidance by 9%/14% and PAT guidance by 8%/10%.
- We expect ARWL to report an AUM/revenue/PAT CAGR of 26%/26%/28% during FY24-27. With a robust cash generation (INR8.9b of OCF during FY24-27E), RoE of 40%+, and a healthy balance sheet, the company's valuation is well-priced at 42x FY26E P/E. We have cut our FY25/26/27 EPS estimates by 3%/7%/6% to factor in slower AUM growth. **We maintain a NEUTRAL rating on the stock with a one-year TP of INR4,200 (premised on 40x Sep'26E P/E).**

Y/E March	(INR m)												
	FY24				FY25				FY25E	3QFY25E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
MF – Equity & Debt	522	625	715	804	890	1,057	1,087	1,102	4,136	1,099	-1	52.0	2.8
Distribution of Financial Products	1,215	1,187	1,095	1,024	1,471	1,352	1,267	1,323	5,413	1,406	-10	15.7	-6.3
Other Operating revenue	13	14	14	15	15	15	16	18	64	16	-1	14.3	6.7
<b>Revenue from Operations</b>	<b>1,750</b>	<b>1,826</b>	<b>1,824</b>	<b>1,843</b>	<b>2,376</b>	<b>2,424</b>	<b>2,370</b>	<b>2,443</b>	<b>9,613</b>	<b>2,522</b>	<b>-6</b>	<b>29.9</b>	<b>-2.2</b>
Change YoY (%)	33.0	34.2	32.2	28.9	35.8	32.7	29.9	32.6	32.7	4.0			
Operating Expenses	1,016	1,051	1,026	1,111	1,394	1,384	1,300	1,376	5,453	1,428	-9	26.7	-6.1
Change YoY (%)	33.9	38.8	34.5	35.2	37.2	31.6	26.7	23.8	30	3			
<b>EBIDTA</b>	<b>734</b>	<b>775</b>	<b>798</b>	<b>732</b>	<b>982</b>	<b>1,040</b>	<b>1,070</b>	<b>1,068</b>	<b>4,161</b>	<b>1,094</b>	<b>-2</b>	<b>34.1</b>	<b>2.9</b>
Depreciation	45	46	50	52	57	61	65	65	248	63	4	30.0	6.5
Finance Cost	14	16	16	18	14	30	35	38	116	32	11	115.9	19.8
Other Income	34	65	48	129	78	72	72	80	301	77	-7	48.3	0.2
<b>PBT</b>	<b>709</b>	<b>778</b>	<b>780</b>	<b>790</b>	<b>990</b>	<b>1,021</b>	<b>1,041</b>	<b>1,045</b>	<b>4,097</b>	<b>1,076</b>	<b>-3</b>	<b>33.5</b>	<b>2.0</b>
Change YoY (%)	34.1	35.2	33.8	32.8	39.6	31.3	33.5	32.3	34	5			
Tax Provisions	177	200	200	221	256	259	269	287	1,070	280	-4	34.6	3.8
<b>Net Profit</b>	<b>533</b>	<b>577</b>	<b>580</b>	<b>569</b>	<b>734</b>	<b>762</b>	<b>773</b>	<b>758</b>	<b>3,028</b>	<b>797</b>	<b>-3</b>	<b>33.2</b>	<b>1.4</b>
Change YoY (%)	34.3	34.5	34.5	33.3	37.9	32.0	33.2	33.3	34	4			
<b>Key Operating Parameters (%)</b>													
EBIDTA Margin	41.9	42.4	43.8	39.7	41.3	42.9	45.2	43.7	43.3	43.4	179 bps	141 bps	224 bps
Cost to Income Ratio	58.1	57.6	56.3	60.3	58.7	57.1	54.8	56.3	56.7	56.6	-179 bps	-141 bps	-224 bps
PBT Margin	40.5	42.6	42.7	42.9	41.7	42.1	43.9	42.8	42.6	42.7	125 bps	119 bps	181 bps
Tax Rate	24.9	25.8	25.6	28.0	25.8	25.3	26.0	26.0	26.1	26.0	0 bps	40 bps	66 bps
PAT Margins	30.4	31.6	31.8	30.9	30.9	31.4	32.6	31.0	31.5	31.6	101 bps	79 bps	115 bps

**Exhibit 1: Change in Estimates**

INR b	New estimates			Old Estimates			Change in Estimates		
Y/E March	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenues	9.6	12.2	14.4	10.0	12.9	15.2	-3.5%	-5.4%	-5.4%
Rev Gr. (%)	32.7	27.1	18.0	37.5	29.7	18.0			
Opex	5.5	6.8	7.9	5.7	7.1	8.3	-4.1%	-4.7%	-5.1%
PBT	4.1	5.3	6.4	4.2	5.7	6.9	-3.1%	-6.8%	-6.3%
PAT	3.0	3.9	4.8	3.1	4.2	5.1	-3.1%	-6.8%	-6.3%
EPS (INR)	73.0	95.2	114.8	75.3	102.1	122.5	-3.1%	-6.8%	-6.3%
EPS Gr. (%)	35.0	30.3	20.6	39.3	35.5	20.0			
BV/Sh. (INR)	34.0	48.2	65.2	34.4	50.1	68.6	-1.3%	-3.7%	-5.0%
<b>Ratios (%)</b>									
EBIDTA Margin	43.3	44.3	45.1	42.9	44.7	45.3	40 bps	-39 bps	-20 bps
PAT margin	31.5	32.3	33.0	31.4	32.8	33.3	13 bps	-48 bps	-32 bps
RoE	44.8	46.3	40.5	45.9	48.3	41.3	-110 bps	-201 bps	-82 bps
Div. Payout	27.4	25.2	26.1	26.5	23.5	24.5	84 bps	171 bps	165 bps
<b>Valuations</b>									
P/E (x)	54.4	41.7	34.6	53.9	39.8	33.2			
P/BV (x)	116.9	82.4	60.9	118.0	81.2	59.3			
Div. Yield (%)	0.5	0.6	0.8	0.5	0.6	0.7			

**Highlights from the management commentary****Private Wealth business:**

- The share of clients with AUM size of INR500m and more has improved from 22% to 25% in 3QFY25 due to an increase in the wallet share.
- Client attrition has been lower at 0.14% in 3QFY25/0.32% in 9MFY25. The company has added 1,785 clients over the last 12 months, bringing the total to 11,426 families.
- It has added 61 RMs over the last 12 months, bringing the total to 383.
- It records one of the lowest regret RM attrition rates in the industry at 0.14% in 3QFY25 vs 0.29% in 3QFY24. One RM handling an AUM size of >INR400m left in the last quarter.

**Net flows, AUM, and yields:**

- ARWL recorded its highest-ever quarterly net flows of INR34.5b, up 18% YoY, despite market sentiments not being the best. This incremental growth came from both existing and new customers (50:50 share). ARWL has increased the threshold ticket size from INR5m to INR10m.
- Management is positive regarding the mobilization of flows into structured products, as maturities are expected next year, the new business will perform, and some realignment will take place. It has been adding clients with larger market shares.
- Management expects some tepidness in equity net flows going ahead. It currently holds a market share of 1.8% in equity net flows in the industry and aims to increase this to ~4%. It holds 4.8% market share in SIP flows of the overall industry.

- The share of equity MF in the AUM mix has improved to 55% in 3QFY25 from 52% in 3QFY24.
- Management guides for structured products to be in the range of 25-35% of the overall AUM mix.
- Management guides for yields of structured products, which have matured at 1.15-1.17%, and for matured MF products at 1.09%
- Primary MLD gross issuances for 3QFY25 stood at INR13.5b vs 12.3b in 3QFY24. For 9MFY25, they stood at INR46.3b vs INR39.9b in 9MFY24.
- Secondary MLD gross issuances for 3QFY25 stood at INR5.9b vs 4.3b in 3QFY24. For 9MFY25, they stood at INR15.5b vs INR9.6b in 9MFY24.

#### Financials:

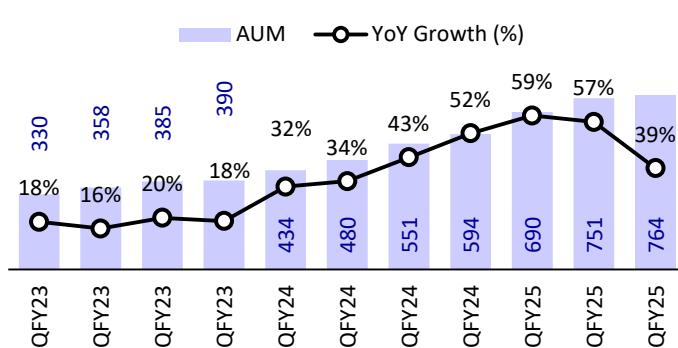
- Of the FY25 guidance for Revenue/PAT at INR9.8b/2.95b, ARWL has already achieved 75%/77% of these targets in 9MFY25.
- For the last 2-3 quarters, operating leverage has started to kick in and will be reinvested as guided by the management. It guides to maintain the operating margins at 40-41% of PBT.
- As of yesterday, the company's model portfolio generated an alpha of 7.5-8% over Nifty 50 returns.

#### Others:

- The management mentioned that it plans to begin operations in the wealth management business in the UK market, though it will take 6-9 months to establish.
- ARWL sees a positive outlook for the passive industry but has no plans to enter that space anytime soon. The company has also not participated in any NFOs or sectoral funds.

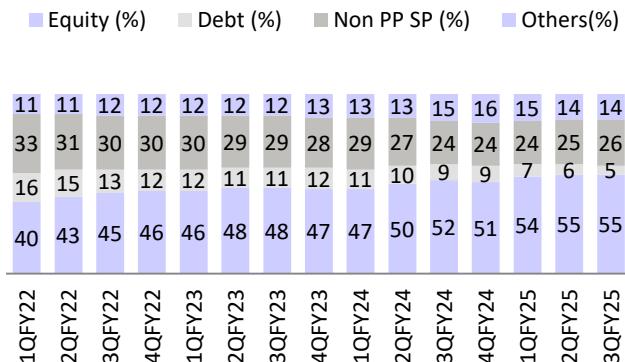
## Key exhibits

**Exhibit 2: Total AUM grew 39% YoY in 3QFY25**



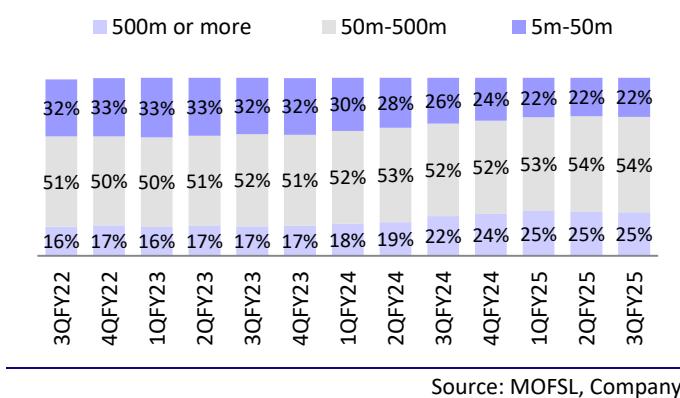
Source: MOFSL, Company

**Exhibit 3: Share of equity AUM improved to 55%**



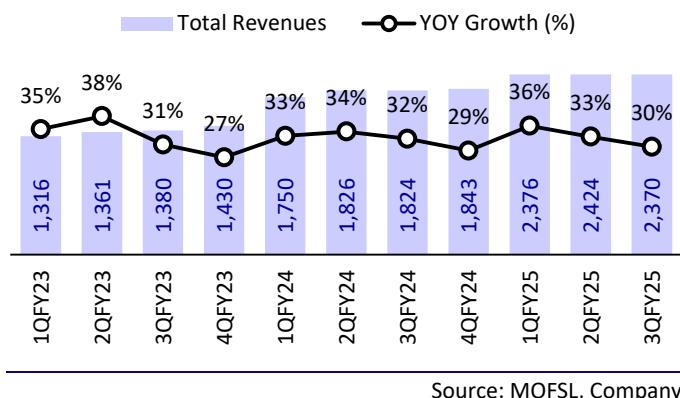
Source: MOFSL, Company

## Exhibit 4: Cohort-wise mix remains stable



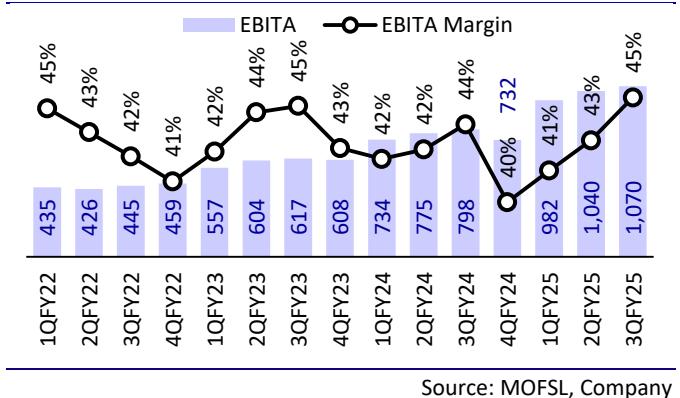
Source: MOFSL, Company

## Exhibit 6: Revenue growth remains strong at 30%+



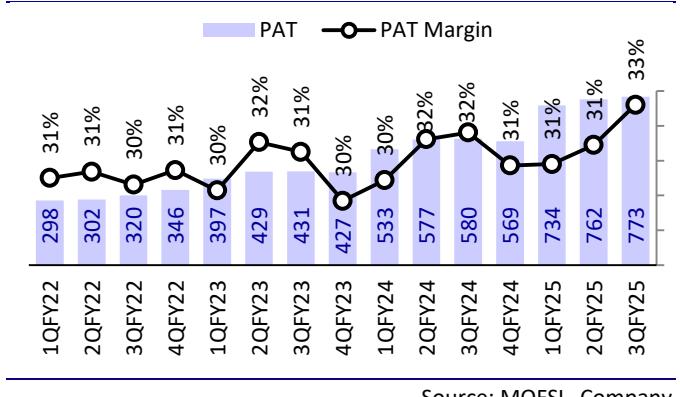
Source: MOFSL, Company

## Exhibit 8: Trend in EBITDA and EBITDA margins



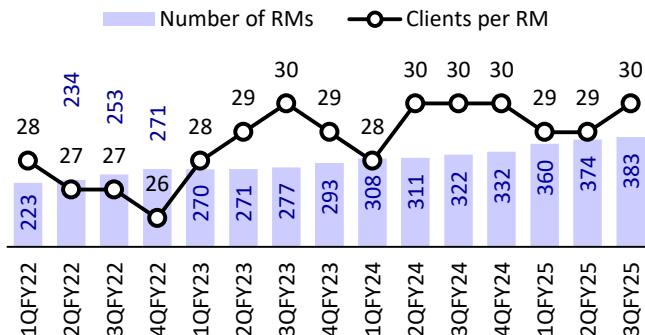
Source: MOFSL, Company

## Exhibit 10: Consolidated PAT on an upward trend



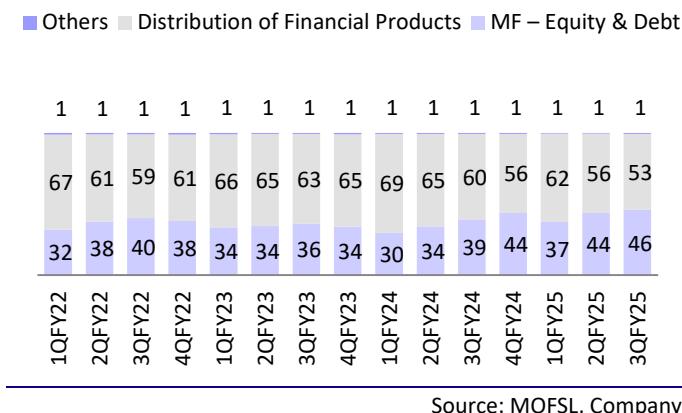
Source: MOFSL, Company

## Exhibit 5: Trend showing RM additions and client productivity per RM



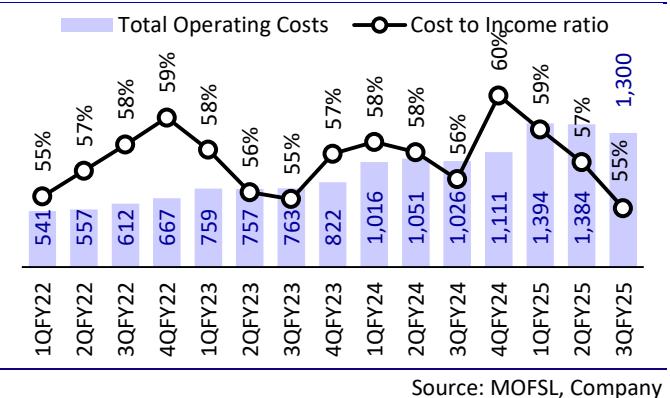
Source: MOFSL, Company

## Exhibit 7: Trend in the revenue mix



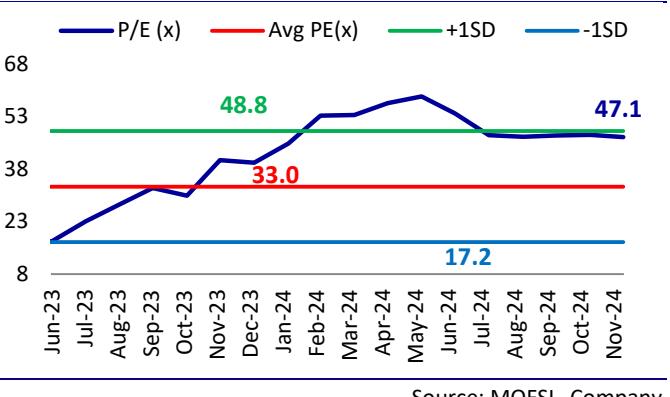
Source: MOFSL, Company

## Exhibit 9: Cost-to-income ratio continues to improve

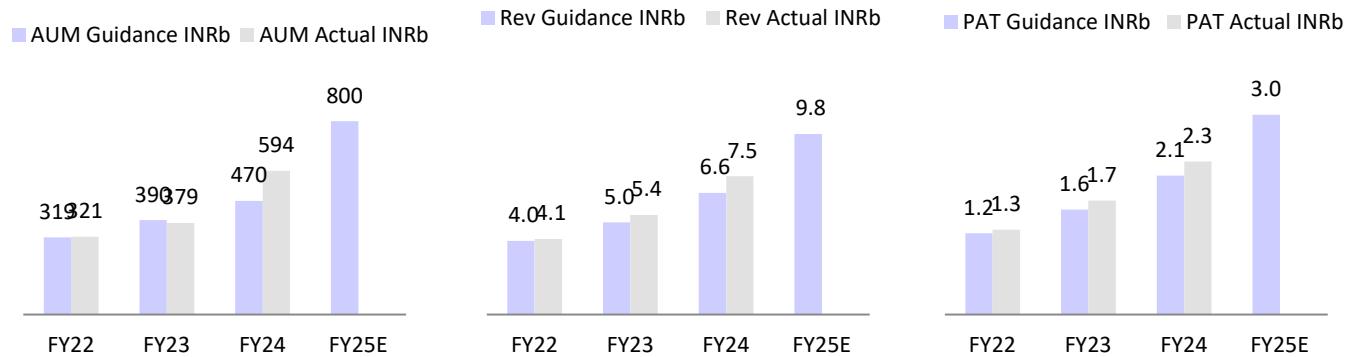


Source: MOFSL, Company

## Exhibit 11: One-year forward P/E



Source: MOFSL, Company

**Exhibit 1: Beat AUM, revenue, and PAT guidance; achieved 75%/77% of FY25 targets in 9MFY25**

Source: MOFSL, Company

## Financials and valuations

Income Statement		(INRm)							
Y/E March		2020	2021	2022	2023	2024	2025E	2026E	2027E
Mutual Fund Distribution Income		3,273	2,604	4,127	5,438	7,187	9,549	12,145	14,334
Other Operating income		46	45	48	48	56	64	74	85
<b>Revenue From Operations</b>		<b>3,318</b>	<b>2,653</b>	<b>4,175</b>	<b>5,486</b>	<b>7,243</b>	<b>9,613</b>	<b>12,219</b>	<b>14,419</b>
Change (%)		20.0	-20.0	57.3	31.4	32.0	32.7	27.1	18.0
Employee benefits expense		1,666	1,508	1,920	2,418	3,222	4,253	5,317	6,167
Other expenses		585	447	482	681	983	1,199	1,487	1,755
<b>Operating Expenses</b>		<b>2,251</b>	<b>1,955</b>	<b>2,403</b>	<b>3,099</b>	<b>4,205</b>	<b>5,453</b>	<b>6,804</b>	<b>7,922</b>
Change (%)		26.0	-13.2	22.9	29.0	35.7	29.7	24.8	16.4
<b>Operating Profit</b>		<b>1,067</b>	<b>699</b>	<b>1,772</b>	<b>2,387</b>	<b>3,038</b>	<b>4,161</b>	<b>5,415</b>	<b>6,497</b>
Other Income		46	139	77	103	276	301	362	434
Depreciation		210	173	157	166	194	248	300	330
Finance Cost		33	29	20	39	65	116	137	162
Exceptional items									
<b>Profit Before Tax</b>		<b>870</b>	<b>636</b>	<b>1,673</b>	<b>2,285</b>	<b>3,056</b>	<b>4,097</b>	<b>5,339</b>	<b>6,439</b>
Change (%)		5	-27	163	37	34	34	30	21
Tax		253	185	408	597	798	1,070	1,394	1,681
Tax Rate (%)		29.1	29.1	24.4	26.1	26.1	26.1	26.1	26.1
<b>PAT</b>		<b>617</b>	<b>451</b>	<b>1,265</b>	<b>1,688</b>	<b>2,258</b>	<b>3,028</b>	<b>3,945</b>	<b>4,758</b>
Change (%)		5.5	-26.8	180.4	33.4	33.8	34.1	30.3	20.6
Dividend		-	138	458	499	586	829	995	1,244

## Balance Sheet

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Equity Share Capital	135	138	208	208	209	207	207	207
Reserves & Surplus	1,720	2,275	3,229	4,474	6,279	6,834	9,784	13,298
<b>Net Worth</b>	<b>1,855</b>	<b>2,413</b>	<b>3,437</b>	<b>4,682</b>	<b>6,489</b>	<b>7,041</b>	<b>9,992</b>	<b>13,505</b>
<b>NCI</b>	<b>116</b>	<b>116</b>	<b>117</b>	<b>119</b>	<b>127</b>	<b>127</b>	<b>127</b>	<b>127</b>
Borrowings	499	313	392	367	517	625	706	768
Other Liabilities	1,620	552	856	1,072	1,665	2,043	2,349	2,584
<b>Total Liabilities</b>	<b>4,090</b>	<b>3,395</b>	<b>4,802</b>	<b>6,240</b>	<b>8,797</b>	<b>9,835</b>	<b>13,173</b>	<b>16,985</b>
Cash and Investments	1,313	1,699	1,906	1,710	1,454	1,375	2,918	4,518
Change (%)	51.7	29.4	12.2	-10.3	-15.0	-5.4	112.3	54.8
Loans	649	-	-	-	-	-	-	-
Net Fixed Assets	1,396	1,235	1,240	1,361	1,532	2,068	2,275	2,502
Non current assets	175	199	515	347	64	70	77	85
Current Assets	556	261	1,141	2,823	5,748	6,323	7,904	9,879
<b>Total Assets</b>	<b>4,090</b>	<b>3,395</b>	<b>4,802</b>	<b>6,240</b>	<b>8,797</b>	<b>9,835</b>	<b>13,173</b>	<b>16,985</b>

E: MOFSL Estimates

## Financials and valuations

### Cashflow Statement

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Cashflow from operations</b>	<b>1,425</b>	<b>-227</b>	<b>802</b>	<b>341</b>	<b>-37</b>	<b>2,942</b>	<b>2,805</b>	<b>3,145</b>
PBT	870	636	1,673	2,285	3,056	4,097	5,339	6,439
Depreciation and amortization	210	173	157	166	194	248	300	330
Tax Paid	-253	-185	-408	-597	-798	-1,070	-1,394	-1,681
Interest, dividend income (post-tax)	-33	-99	-58	-76	-204	-223	-267	-321
Interest expense (post-tax)	23	20	15	29	48	86	101	120
Working capital	608	-773	-576	-1,466	-2,332	-197	-1,274	-1,741
<b>Cash from investments</b>	<b>-1,212</b>	<b>711</b>	<b>-418</b>	<b>-43</b>	<b>123</b>	<b>-568</b>	<b>-246</b>	<b>-244</b>
Capex	-794	-12	-161	-287	-364	-784	-506	-557
Interest, dividend income (post-tax)	33	99	58	76	204	223	267	321
Others	-450	625	-316	169	283	-6	-7	-8
<b>Cash from financing</b>	<b>234</b>	<b>-99</b>	<b>-177</b>	<b>-494</b>	<b>-342</b>	<b>-2,453</b>	<b>-1,015</b>	<b>-1,301</b>
Equity	1	2	71	-	1	-2	-	-
Debt	268	-185	79	-25	149	108	81	62
Interest costs	-23	-20	-15	-29	-48	-86	-101	-120
Dividends Paid	-	-138	-458	-499	-586	-829	-995	-1,244
Others	-11	242	147	59	141	-1,644	-0	-
Change of cash	448	386	207	-196	-256	-79	1,543	1,600
Opening Cash	866	1,313	1,699	1,906	1,710	1,454	1,375	2,918
Closing Cash	1,313	1,699	1,906	1,710	1,454	1,375	2,918	4,518

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>As a percentage of Revenues</b>								
MF revenues	30.0	34.0	36.9	34.6	36.8	43.0	45.2	45.9
Other products	70.0	66.0	63.1	65.4	63.2	57.0	54.8	54.1
<b>Total cost</b>								
Employee Cost	50.2	56.8	46.0	44.1	44.5	44.2	43.5	42.8
Other Opex Cost	17.6	16.9	11.5	12.4	13.6	12.5	12.2	12.2
<b>PBT</b>	<b>26.2</b>	<b>24.0</b>	<b>40.1</b>	<b>41.6</b>	<b>42.2</b>	<b>42.6</b>	<b>43.7</b>	<b>44.7</b>
<b>PAT</b>	<b>18.6</b>	<b>17.0</b>	<b>30.3</b>	<b>30.8</b>	<b>31.2</b>	<b>31.5</b>	<b>32.3</b>	<b>33.0</b>
<b>Profitability Ratios (%)</b>								
RoE	39.8	21.1	43.3	41.6	40.4	44.8	46.3	40.5
<b>Valuations</b>								
BVPS (INR)	44.6	58.0	82.6	112.5	155.9	169.2	240.1	324.5
Price-BV (x)	89.1	68.5	48.1	35.3	25.5	23.5	16.5	12.2
EPS basic (INR)	22.7	16.5	30.5	40.5	54.1	73.0	95.2	114.8
Change (%)	3.3	-27.3	84.5	32.7	33.7	35.0	30.3	20.6
Price-Earnings (x)	174.6	240.2	130.2	98.1	73.4	54.4	41.7	34.6
DPS (INR)	-	5.0	11.0	12.0	14.0	20.0	24.0	30.0
Dividend Yield (%)		0.1	0.3	0.3	0.4	0.5	0.6	0.8

E: MOFSL Estimates

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