

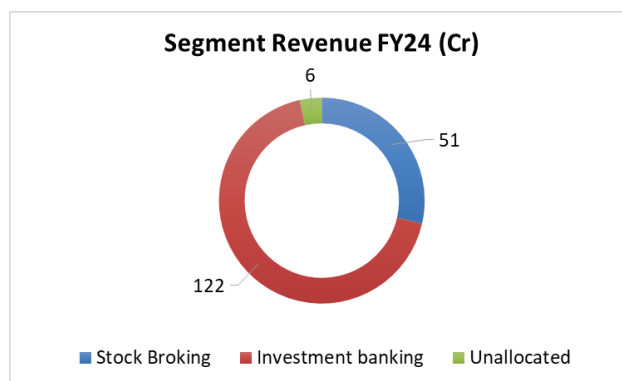
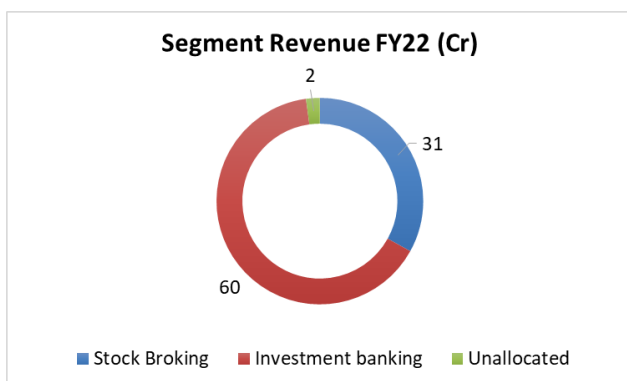
Recommendation	Subscribe	BACKGROUND																																																	
Price Band	RS.269 to RS.283	<p>The company commenced their operations in the securities market in 1993 as S.S. Kantilal Ishwarlal Sharebrokers and Investors Private Limited. In 1994, they rebranded and operated under the name S.S. Kantilal Ishwarlal Securities Private Limited (“SSKIPL”). In 2006, Infrastructure Development Finance Company (“IDFC”) commenced the acquisition of SSKIPL which culminated in 2008. In 2019, IDFC group divested its entire stake, which was acquired by Dharmesh Anil Mehta and other investors. Subsequently, company is currently operating in investment banking and institutional equity broking. In July 2020, the company name was changed to DAM Capital Advisors Limited. , the Company has achieved rapid growth with the total income CAGR of 38.77% and PAT CAGR of 79.46% between FY22-FY24.</p> <p><u>Details of the Issue:</u></p> <p>The public issue consists of Offer For Sale aggregating up to Rs 840 Cr</p> <p><u>Investment Rationale:</u></p> <ul style="list-style-type: none"> • Fastest-growing merchant bank in India • Proven execution with in-depth understanding of sectors and products • Institutional equities platform with comprehensive research and execution capabilities • Experienced management and professionals, backed by a majority independent board • Extensive coverage of corporates, financial sponsors and institutional investors, with repeat business <p><u>Valuation and Recommendation:-</u></p> <p>Dam Capital Ltd. is a rapidly growing merchant bank in India, with a revenue CAGR of 39% from FY22 to FY24 and the highest profit margin in FY24. Based on the peer comparison Dam Capital, stands out among its peers with exceptional growth and profitability. It has achieved a superior ROE of 43.4%, higher than the peer average of 24.1%. Its EBITDA margin of 59.1% is above the peer average of 50.3%, reflecting operational efficiency. Its PE Multiple is at 28.4x slightly higher than its peers. Given its strong fundamentals and focus on high-margin investment banking we recommend to subscribe to the issue.</p>																																																	
Bidding Date	19 th Dec to 23 rd Dec, 2024																																																		
Book Running Lead Manager	Nuvama Wealth Management Limited																																																		
Registrar	Link Intime India Private Limited																																																		
Sector	Financial services (IB and broking)																																																		
Minimum Retail Application- Detail At Cut off Price																																																			
Number of Shares	53																																																		
Minimum Application Money	Rs.14,999																																																		
Payment Mode	ASBA																																																		
Financials (Rs Cr)	FY23	FY24																																																	
Total Income	85	180																																																	
EBITDA	18	101																																																	
PAT for the year	9	71																																																	
Valuations (FY24)	Upper Band																																																		
Market Cap (Rs Cr)	2000 Cr																																																		
Adj EPS	10																																																		
PE	28.4																																																		
Post Issue Shareholding Pattern																																																			
Promoters	41.5%																																																		
Public/Other	58.5%																																																		
Offer structure for different categories																																																			
QIB	50%																																																		
Non-Institutional	15%																																																		
Retail	35%																																																		
Post Issue Equity (cr)	14.1																																																		
Issue Size (Rs in cr)	840 Cr																																																		
Face Value (Rs)	2																																																		
<p>Devendra Pawar Research Associate (+91 22 6273 8149) devendra.pawar@nirmalbang.com</p>																																																			
		<table border="1"> <thead> <tr> <th>Financials</th> <th>FY22</th> <th>FY23</th> <th>FY24</th> </tr> </thead> <tbody> <tr> <td>Net Revenues</td> <td>93</td> <td>85</td> <td>180</td> </tr> <tr> <td>Growth (%)</td> <td>-</td> <td>-9.0%</td> <td>112.0%</td> </tr> <tr> <td>EBITDA</td> <td>33</td> <td>18</td> <td>101</td> </tr> <tr> <td>EBITDA Margin (%)</td> <td>35.5%</td> <td>21.5%</td> <td>56.1%</td> </tr> <tr> <td>PBT</td> <td>28</td> <td>12</td> <td>95</td> </tr> <tr> <td>Adjusted PAT</td> <td>22</td> <td>9</td> <td>71</td> </tr> <tr> <td>EPS</td> <td>3.10</td> <td>1.23</td> <td>9.98</td> </tr> <tr> <td>ROCE</td> <td>33.2%</td> <td>13.6%</td> <td>59.5%</td> </tr> <tr> <td>EV/Sales</td> <td>19.7</td> <td>21.7</td> <td>10.2</td> </tr> <tr> <td>EV/EBITDA</td> <td>55.6</td> <td>101.0</td> <td>18.2</td> </tr> <tr> <td>P/E</td> <td>91.4</td> <td>230.6</td> <td>28.4</td> </tr> </tbody> </table> <p>Source: Company data, NBRR</p>		Financials	FY22	FY23	FY24	Net Revenues	93	85	180	Growth (%)	-	-9.0%	112.0%	EBITDA	33	18	101	EBITDA Margin (%)	35.5%	21.5%	56.1%	PBT	28	12	95	Adjusted PAT	22	9	71	EPS	3.10	1.23	9.98	ROCE	33.2%	13.6%	59.5%	EV/Sales	19.7	21.7	10.2	EV/EBITDA	55.6	101.0	18.2	P/E	91.4	230.6	28.4
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Company Background

The company commenced their operations in the securities market in 1993 as S.S. Kantilal Ishwarlal Sharebrokers and Investors Private Limited. In 1994, they rebranded and operated under the name S.S. Kantilal Ishwarlal Securities Private Limited (“SSKIPL”). In 2006, Infrastructure Development Finance Company (“IDFC”) commenced the acquisition of SSKIPL which culminated in 2008. In 2019, IDFC group divested its entire stake, which was acquired by Dharmesh Anil Mehta and other investors. Subsequently, company is currently operating in investment banking and institutional equity broking. In July 2020, the company name was changed to DAM Capital Advisors Limited.

Under the leadership of Dharmesh Anil Mehta, a merchant banker with over 25 years of work experience, the Company has achieved rapid growth with the total income being ₹182 Cr, ₹85 Cr and ₹95 Cr for Fiscals 2024, 2023 and 2022, respectively, representing 38.77% CAGR over the same period. Profit after tax was ₹70.5 Cr, ₹8.7 Cr and ₹21.9 Cr for Fiscals 2024, 2023 and 2022, respectively, representing a 79.46% CAGR over the same period. They have achieved this growth by capitalizing on strong relationships with their clients and their execution capabilities, successfully completing various landmark transactions, while navigating through market volatility. DAM Capital is strategically positioned to capitalize on India’s growth story. By leveraging their deep industry expertise, robust research capabilities, and large investor distribution network in institutional equities business, they provide tailored solutions to the clients. Their client retention demonstrates their personalized, solution oriented approach and their proven execution capabilities.

As on October 31, 2024, they had a team of 121 employees across businesses comprising seasoned personnel with experience in executing transactions across product lines and sectors. The senior team is extensively involved in building client relationships and structuring and executing their clients’ transactions. Their team has an average of over 15.7 years of work experience with 54 of 121 employees having over 18 years of work experience. They are backed by marquee investors with varied backgrounds and a diverse board of directors. The board of directors comprises industry leaders, financial experts and thought leaders from different sectors. Their combined expertise contributes to the strategic decision-making, fosters innovation and ensures strengthened governance.



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. They are one of the leading investment banks in India with a market share of 12.1% based on the number of IPOs and QIPs undertaken by them as the BRLM in FY24. In the six months ended September 30, 2024. They were BRLM to 5 and 17 IPOs and QIPs, respectively. Since the Acquisition, they have consistently improved their market share from 8.2% in FY21 to 12.1% in FY24 in terms of the number of IPOs and QIPs undertaken as BRLM.

Proven execution with in-depth understanding of sectors and products

They have 40 employees in their merchant banking team, with 9 employees having over 18 years of work experience. Their understanding and expertise across sectors and products enables them to identify niche sub-sectors and product opportunities early. Early market insights enables them to pitch appropriate products to their clients. Their deep sector understanding allows them to identify unique stories which they are able to bring to the market. They have consummated transactions across sectors including pharmaceuticals, infrastructure, manufacturing, retail, technology, financial services and healthcare.

Institutional equities platform with comprehensive research and execution capabilities

Their institutional equities platform is characterized by its comprehensive research and an experienced sales and trading team. Their research coverage includes fundamental research, macro-economic research. Their sales team covers geographies including India, USA, UK, Europe, Hong Kong, Singapore, Australia, Taiwan, South Korea, Middle East and South Africa and their sales trading team has execution abilities across cash segment including blocks and derivatives segment.

Experienced management and professionals, backed by a majority independent board

Their intellectual capital comprises industry expert who have a combination of industry expertise, capital market experience, product knowledge and regulatory understanding. This forms a key part of their business and is critical for growth. The quality of their management team has been a key distinguishing factor and the driving force behind their success and growth. They have 4 independent Directors (including an Independent Chairperson), 1 Non-Executive Director and 2 Executive Directors.

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

They have long-standing relationships with institutional investors, financial sponsors, corporates and family offices as a result of their experienced team and consistent coverage of clients, many of whom have provided them with repeat business. Their business development efforts are designed to penetrate new markets, enhance their senior team with professionals who bring valuable client relationships and leverage to their extensive network of senior executives, board members, attorneys, and other key stakeholders.

Asset lite business model

These Both the business of merchant banking & institutional equity require minimal working capital because of these asset lite business model company is able to generate higher ROE.

Risk/Concerns

Changes in laws and, regulations and government policies

To undertake the business activities, they need to obtain and renew registrations and approvals under regulations issued by regulatory authorities, SEBI. These limitations or conditions may limit their business activities and negatively impact their profitability and growth. Notably, these limitations or conditions may impact their eligibility to hold other licenses or to obtain new licenses necessary for expanding their business. Such eligibility issues may pose constraints on their ability to conduct their existing business and to enter new business segments.

Merchant banking and institutional equities business is highly dependent on market and economic conditions

As a merchant banking and securities firm, their business is materially affected by conditions in the economy and financial markets both India and globally. In the event of a market downturn, their businesses could be adversely affected. The merchant banking and institutional equities industry has been materially and adversely affected in the past by significant declines in the values of nearly all asset classes, by a serious lack of liquidity and by high levels of borrower defaults.

Two income streams, dependent on macro-economic condition

The primary sources of their revenue are advisory fee income and brokerage. Their total fees and commission income in September 30, 2024 and FY 2024, 2023 and 2022 were ₹103 Cr, ₹174 Cr, ₹81.5 Cr and ₹91.4 Cr respectively. Their business is highly dependent upon the levels of activity in the securities markets in India and in particular, upon the volume of financial assets traded, the number of listed securities, the number of new listings and subsequent issuances, liquidity and changes in investor sentiment. Any adverse changes in such factors, as a result of general economic or market conditions or otherwise, could adversely affect their business, financial condition, cash flows and results of operations.

Valuation and Recommendation

Dam Capital Ltd. is a rapidly growing merchant bank in India, with a revenue CAGR of 39% from FY22 to FY24 and the highest profit margin in FY24. Its strong market share growth to 12.1% in FY24 reflects its leadership in IPOs and QIPs. Backed by an experienced team, sectoral expertise, and repeat client business, the company is well-positioned for sustainable growth.

Based on the peer comparison Dam Capital stands out among peers with exceptional growth and profitability. It achieved a superior ROE of 43.4 %, higher than the peer average of 24.1%. Its EBITDA margin of 59.1% is above the peer average of 50.3%, reflecting operational efficiency. Its PE Multiple is at 28.4x slightly higher than its peers. Given its strong fundamentals and focus on high-margin investment banking we recommend to subscribe to the issue.

Listed Peers

FY24	ICICI Sec	IIFL Capital	JM	Avg.	DAM capital
Revenue (Rs Cr)	5049	2218	4,786	4,018	180
Revenue CAGR FY22-FY24	21.2%	31%	13%	22%	39%
Revenue mix					
Stock Broking % (Q1FY25)	89%	77%	-	83%	29%
Investment banking %	6%	10%	41%	19%	68%
EBITDA Margin (%)	67.0%	26.0%	58.0%	50.3%	59.1%
ROE (pre IPO)	43.3%	28.7%	0.3%	24.1%	43.4%
P/E	16.9x	21.7x	32.6x	23.7x	28.4x

Source: Company Data, NBRR

Financials

P&L (Rs. Cr)	FY22	FY23	FY24	Q1FY25
Net Revenue	93	85	180	108
% Growth	-	-9%	112%	-
Cost of goods sold	0	0	0	0
% of Revenues	0.0%	0.0%	0.0%	0.0%
Employee Cost	48	54	65	39
% of Revenues	51.7%	63.0%	36.3%	35.8%
Other expenses	12	13	14	9
% of Revenues	12.9%	15.5%	7.6%	8.1%
EBITDA	33	18	101	61
EBITDA Margin	35.5%	21.5%	56.1%	56.2%
Depreciation	5	5	6	3
Other Income	1	0	2	2
Interest	1	1	1	1
Exceptional item	0	0	0	0
PBT	28.0	11.9	95.5	58.6
Tax	6	3	25	15
Tax rate	22%	27%	26%	25%
PAT	21.9	8.7	70.5	43.8
% Growth	-	-60%	713%	-38%
Minority Interest				
Adj. PAT (norm. Tax)	21.9	8.7	70.5	43.8
EPS (Post Issue)	3.1	1.2	10.0	6.2

Ratios & Others	FY22	FY23	FY24	Q1FY25
EBITDA Margin (%)	35.5%	21.5%	56.1%	56.2%
PAT Margin (%)	23.5%	10.2%	39.2%	40.6%
ROE (%)	24.9%	9.1%	43.4%	86.5%
ROCE (%)	33.2%	13.6%	59.5%	117.0%

Turnover Ratios	FY22	FY23	FY24	Q1FY25
Debtors Days	185	803	48	41
Creditor Days	184	4,601	5	4
Asset Turnover (x)	1.1	0.9	1.1	2.1

Valuation Ratios	FY22	FY23	FY24	Q1FY25
Price/Earnings (x)	91.4	230.6	28.4	11.4
EV/EBITDA (x)	55.6	101.0	18.2	7.6
EV/Sales (x)	19.7	21.7	10.2	4.3
Price/BV (x)	22.7	21.0	12.3	9.9

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY22	FY23	FY24	Q1FY25
Share Capital	14	14	14	14
Other Equity	74	81	148	188
Minority Interest	0	0	0	0
Networth	88	95	163	202
Total Loans	0	0	0	0
Other non-curr liab.	22	26	42	44
Trade payable	47	1,070	3	4
Other Current Liab	10	9	7	6
Total Equity & Liab.	167	1,201	215	257
Property, Plant and Equipme	14	11	9	7
CWIP	0	1	0	0
Goodwill/Other Intangible a	0	0	0	0
Non Current Financial asse	4	3	3	4
Other non Curr. assets	10	10	9	3
Inventories	0	0	0	0
cash and cash equivalents	21	26	85	66
Bank bal	56	729	75	112
Investments+loans	8	6	4	4
Trade receivables(debtor)	47	187	24	49
Other Current assets	7	228	6	11
Total Assets	167	1,201	215	257

Cash Flow (Rs. Cr)	FY22	FY23	FY24	Q1FY25
Profit Before Tax	28	12	95	59
Provisions & Others	0	0	0	0
Op. profit before WC	31	16	92	55
Change in WC	11	667	-665	-34
Less: Tax	-5	-4	-21	-1
CF from operations	37	679	-595	20
Purchase/Sale of fixed asset	-9	-1	-2	-1
Bank deposits/ Loan repaid	-22	-673	654	-38
Interest, dividend and other	2	3	6	7
CF from Investing	-28	-671	658	-32
Proceeds from issue of Equit	0	0	0	0
Proceeds/ Repayment Long-t	1	2	2	-0
Payment of lease liabilities	-3.3	-3.5	-4	-2
interest & div paid	-0	-3	-2	-4
CF from Financing	-3	-4	-4	-6
Net Change in cash	6	4	59	(18)
Cash & Bank at beginning	15	21	26	85
Cash & Bank at end	21	26	85	66

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