

Anand Rathi Share & Stock Brokers Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
23 Sept 2025	25 Sept 2025	₹393-414	Subscribe

Company Overview

Anand Rathi Share & Stock Brokers Ltd. (ARSSBL) is a leading full-service brokerage house in India with a strong legacy of over three decades in the financial services industry. The company provides a wide spectrum of offerings, including equity and derivatives trading, commodities and currencies broking, margin trading facilities, and distribution of financial products. With its comprehensive product suite and customer-centric approach, ARSSBL caters to the diverse needs of retail clients, high-net-worth individuals (HNIs), ultra-high-net-worth individuals (UHNIs), and institutional investors.

ARSSBL has built a strong physical presence across India, ensuring accessibility and personalized service delivery. As of March 2025, the company operated through 90 branches spanning 54 cities, complemented by a network of 1,125 authorised persons across 290 cities. This widespread distribution framework strengthens its ability to serve a growing and geographically diverse customer base, while fostering strong client relationships and brand visibility in key financial markets.

Alongside its extensive offline network, ARSSBL has also invested significantly in developing robust digital platforms to keep pace with evolving investor preferences. Its proprietary platforms- 'Trade Mobi', 'AR Invest', 'MF Client', and 'Trade Xpress'—offer seamless, secure, and user-friendly trading and investment experiences across asset classes. By integrating traditional expertise with digital innovation, ARSSBL positions itself as a comprehensive financial services provider, well-placed to capitalize on the increasing participation in India's capital markets.

Industry Outlook

The Indian brokerage industry is poised for continued growth, driven largely by rising retail participation, deeper penetration in smaller cities, and increasing financial awareness. Over recent years, the number of active demat accounts has seen a sharp rise, easing of KYC norms and online onboarding has made it simpler for new investors to enter the market. Coupled with strong macroeconomic fundamentals, supportive policy environment, and recent rallies in equities & derivatives volumes, this is expected to fuel revenue growth for brokers over the next few years.

Looking ahead over the next 3-5 years, the brokerage industry is likely to evolve in several key ways. First, diversification beyond pure trade-execution revenue will be essential: increased focus on wealth management, distribution of mutual funds, advisory services, margin funding, and other financial products will help firms broaden income sources. Second, technology adoption will remain central—mobile-first platforms, analytics, AI/ML, digital onboarding, better risk & compliance systems—to deliver scale, efficiency and regulatory compliance. Finally, revenue growth is expected to be strong — many reports project a CAGR of ~15-18% over coming years for the brokerage market in India, assuming markets remain active and regulatory costs are effectively managed.

Investment Rationale

1. Diversified Revenue Mix Mitigates Market Cyclicity

ARSSBL generates revenues from a balanced mix of broking (60%), non-broking services (23%), and other income streams (17%). This diversified model reduces overdependence on market-driven trading volumes, insulating earnings during downturns. Importantly, the company has been expanding non-broking income through distribution of financial products, particularly mutual funds. Rising retail participation and the long-term financialization of household savings in India are expected to further drive this segment. As a result, ARSSBL is positioned to deliver more stable and predictable growth, relative to peers that rely heavily on broking.

2. Scalable Distribution Platform with Pan-India Presence

The company has built a hybrid distribution model that combines a physical network of 90 branches in 54 cities with 1,125 authorized persons across 290 cities. This footprint ensures strong brand visibility and client engagement across key financial hubs as well as Tier-2 and Tier-3 locations. Complementing the physical network are proprietary digital platforms like Trade Mobi, AR Invest, and Trade Xpress, enabling seamless service delivery at scale. This omni-channel approach enhances customer acquisition efficiency, even in regions without physical presence. The model creates a scalable framework for future growth while keeping customer engagement costs under control.

3. Strong Client Stickiness Driving Industry-Leading ARPC

ARSSBL boasts one of the highest ARPC (Average Revenue per Client) in the broking industry, supported by a deeply loyal client base. As of March 2025, the company had 2,21,510 active clients, of which ~59% had a relationship longer than 3 years and ~45% exceeded 5 years. Such client vintage demonstrates strong satisfaction and trust, reducing churn and ensuring recurring revenue streams. A personalized engagement model further strengthens client loyalty and encourages cross-selling of financial products. This long-standing client base underpins higher wallet share, stronger ARPC, and superior lifetime client value compared to industry averages.

4. Margin Trading Facility (MTF) as a High-Growth, High-ARPC Lever

The Margin Trading Facility (MTF) business has been a key driver of ARPC expansion and overall profitability. The MTF book has grown at a robust 35% CAGR between FY23 and FY25, rising from ₹377 crore to ₹686 crore. Clients using MTF services contribute significantly higher revenues compared to non-MTF clients, highlighting its impact on yield enhancement. The growing appetite for leverage in equity markets, combined with ARSSBL's established client base, creates a strong runway for this business. In addition, MTF generates relatively stable spreads, making it a high-quality revenue driver. Over time, MTF is expected to meaningfully boost return ratios and profitability.

5. Strong Brand Legacy and Group Synergies

ARSSBL benefits from the strength and credibility of the Anand Rathi Group, a diversified financial services conglomerate with more than three decades of industry presence. The group's established presence across wealth management, distribution, lending, insurance broking, asset management, and investment banking provides natural synergies and cross-sell opportunities. This heritage has translated into strong client trust, higher brand recall, and a steady pipeline of new relationships. Operating under the Anand Rathi umbrella also enhances competitive positioning, especially against standalone or newer brokers. The ability to leverage group platforms ensures sustained growth and resilience across market cycles.

Financial Snapshot

INR CR

Metric	FY23	FY24	FY25
Revenue (₹ Cr)	468	682	846
EBITDA (₹ Cr)	115	231	311
Net Profit (₹ Cr)	38	77	104
EBITDA Margin (%)	24.6	33.8	36.8
PAT Margin (%)	8.1	11.3	12.3

Key Risks

1. Regulatory Compliance and NCD Adjudication

ARSSBL operates in a strictly regulated environment and is subject to extensive statutory requirements. During FY23–FY25, the company issued secured redeemable unlisted NCDs via private placement, ensuring the number of holders per offer never exceeded 200. However, an adjudication application is pending, and the final outcome—including potential penalties—remains uncertain.

2. Heavy Revenue Concentration

The company's revenue is concentrated in broking and margin trading facility (MTF) segments, which together accounted for ~74% of FY25 revenue. Such concentration increases vulnerability to market downturns, competitive pressures, or adverse regulatory changes affecting these core businesses.

3. Dependence on Authorised Persons

A significant share of ARSSBL's business is sourced through its authorised persons, contributing 25–30% of revenue over FY23–FY25. Any loss of key authorised persons, weakening of this network, or termination of contracts could materially impact client acquisition, servicing, and revenue generation.

4. Legal and Reputational Risks

One of the group companies, Anand Rathi Commodities Limited (ARCL), along with promoter Pradeep Navaratan Gupta, has been accused under the Prevention of Money Laundering Act, 2002. Any adverse ruling in these proceedings could damage the Anand Rathi Group's reputation and indirectly impact ARSSBL's brand perception and growth prospects.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Anand Rathi Share & Stock Brokers Ltd
IPO Structure	Fresh Issue of ₹745 Cr
Issue Size	₹745 Cr
Price Band	₹393 – ₹414
Face Value	₹5
Post-Issue Market Cap	₹2,596 Cr (upper band)
IPO Opening Date	23rd September 2025
IPO Closing Date	25th September 2025
Listing	NSE & BSE (expected)
Promoter Holding (Pre/Post)	98.1% / 69.9%
Book Running Lead Managers	Nuvama Wealth Management Ltd.
Use of Proceeds	Funding long-term working capital requirements: ₹550 Cr General corporate purposes: (shall not exceed 25% of gross proceeds)

Valuation and Recommendation

At the upper price bands, Anand Rathi Share & Stock Brokers Ltd. (ARSSBL) is **valued at 25.1x FY25 P/E**, on a post-issue basis. The company benefits from the strong brand equity of the Anand Rathi Group and maintains one of the highest ARPCs in the broking industry. With increasing retail investor participation, a well-diversified business model, and a robust client franchise, ARSSBL is strategically positioned to sustain its growth momentum. Over FY23–FY25, the company delivered a stellar CAGR of 34% in Revenue, 65% in EBITDA, and 66% in PAT, highlighting operational efficiency and scalability. Given the strong financial track record, industry tailwinds, and capital market growth expected at a 16–18% CAGR over FY25–FY28, we find the valuation justified and recommend investors **'SUBSCRIBE'** to the IPO.

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900