

Anand Rathi Wealth

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR1,800

TP: INR1,900 (+6%)

Neutral

Beat on PAT supported by growth in other income

Bloomberg	ANANDRAT IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	149.5 / 1.7
52-Week Range (INR)	2323 / 1586
1, 6, 12 Rel. Per (%)	2/-2/-8
12M Avg Val (INR M)	327

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Revenues	9.4	11.3	13.2
Rev Gr. (%)	29.7	20.5	16.2
Opex	5.4	6.4	7.5
PBT	4.0	4.9	5.8
PAT	3.0	3.7	4.3
EPS (INR)	36.2	44.3	51.8
EPS Gr. (%)	33.7	22.4	17.1
BV/Sh. (INR)	81.0	115.2	155.9

Ratios

EBITDA Margin	42.6	43.1	43.3
PAT margin	32.0	32.5	32.7
RoE	45.5	45.0	38.1
Div. Payout	19.4	22.6	21.2

Valuations

P/E (x)	50.0	40.8	34.9
P/BV (x)	22.3	15.7	11.6
Div. Yield (%)	0.4	0.6	0.6

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	48.0	48.0	48.2
DII	7.8	8.0	9.2
FII	5.7	5.3	3.0
Others	38.5	38.7	39.6

FII includes depository receipts

- Anand Rathi Wealth (ARWL) reported operating revenue of INR2.2b in 4QFY25, up 20% YoY (4% miss). Overall revenue growth was driven by a strong 28% YoY growth in the MF business revenue, which reached INR1b. For FY25, overall revenue from operations grew 30% YoY to INR9.4b.
- Opex grew 18% YoY to ~INR1.3b (flat sequentially), driven by 20% YoY growth in employee costs to INR1b. Other expenses grew 11% YoY to INR300m.
- PAT for the quarter stood at INR737m, reflecting a 30% YoY growth (5% beat on estimates). For FY25, PAT rose 33% YoY to INR3b. PAT margins for 4QFY25 expanded 237bp YoY to 33.2%. (MOFSLe at 30.5%).
- For FY26, management has guided for Revenue/PAT/AUM of INR11.75b/INR3.75b/INR1t, respectively.
- We expect ARWL to report an AUM/revenue/PAT CAGR of 20%/18%/20% during FY25-27, with a robust cash generation (INR8.4b of OCF during FY25-27E), an RoE of 38%+, and a healthy balance sheet. However, we believe the company is fairly valued at 34.9x FY27E P/E. We reiterate a NEUTRAL rating with a one-year TP of INR1,900 (premised on 36x Mar'27E P/E).

Strong net inflows despite weak market sentiments

- Total AUM stood at INR771b (+30% YoY), led by sustained strong inflows and an increase in the ticket size of clients. Private Wealth/Digital Wealth AUM grew 30%/17% YoY to INR752.9b/INR18.1b, respectively.
- The company has seen the highest-ever quarterly net inflows of INR34.7b, up 96% YoY, with equity net flows at INR18.75b, up 142% YoY, despite weak market sentiments. For FY25, it grew 76% YoY to INR126.2b, with equity flows increasing 67% YoY to INR77.1b.
- The share of customers with AUM of INR500m+ has increased to 25% in 4QFY25 from 24% in 4QFY24.
- The cost-to-income ratio stood at 59.1% in 4QFY25 (vs 60.3% in 4QFY24) but was above our estimates of 56.8%.
- EBITDA for 4QFY25 grew 24% YoY to INR908m, with EBITDA margins up 125bp YoY to 40.9%. For FY25, it grew 32% YoY to INR4b.
- Other income rose 171% on a YoY basis to INR194m, of which INR108m came from changes in the fair value of investments held, while the balance was earned from interest on fixed deposits and other financial assets.
- The company recorded one of the lowest client attrition/regret RM attrition rates in the industry at 0.52%/below 1% in FY25.
- AUM per RM increased to INR1.98b in Mar'25 from INR1.74b in Mar'24, driven by continued association of RMs with the organization. Additionally, clients per RM improved to 31 from 30 in 4QFY25. The company has guided for further improvement towards the cap of 50 clients per RM, supported by investments made in technology.

Highlights from the management commentary

- In adverse market conditions, structured products tend to perform well, leading to a shift in the AUM mix in their favor (in FY25, the mix stood at 28% vs 24% in FY24). Yields on matured structure products stood at 1.18% per annum, with no compression expected in the medium term.
- With respect to the incorporation of its UK subsidiary, ARWL has applied for a license to commence its wealth management operations. The licensing process is expected to take approximately 4-6 months, following which operations will be initiated.
- With regard to SEBI's introduction of the SIF platform, ARWL has indicated that it does not intend to onboard this platform for its clients' portfolios.
- ARWL currently operates an active representative office in Dubai and has applied for a license to commence operations in Bahrain.

Valuation and view

- We expect ARWL to report an AUM/revenue/PAT CAGR of 20%/18%/20% during FY25-27. With a robust cash generation (INR8.4b of OCF during FY25-27E), an RoE of 38%+, and a healthy balance sheet, the company's valuation is well-priced at 35x FY27E P/E. We have broadly retained our estimates for FY26 and FY27. We reiterate a NEUTRAL rating on the stock with a one-year TP of INR1,900 (premised on 36x Mar'27E P/E).

Quarterly Performance

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	4Q FY25E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
MF – Equity & Debt	522	625	715	804	890	1,057	1,087	1,030	2,666	4,064	1,030	-0	28.1	-5.2
Distribution of Financial Products	1,215	1,187	1,095	1,024	1,471	1,352	1,267	1,174	4,521	5,264	1,262	-7	14.6	-7.3
Other Operating revenue	13	14	14	15	15	15	16	16	56	62	18	-13	6.7	0.0
Revenue from Operations	1,750	1,826	1,824	1,843	2,376	2,424	2,370	2,220	7,243	9,390	2,310	-4	20.4	-6.3
Change YoY (%)	33.0	34.2	32.2	28.9	35.8	32.7	29.9	20.4	32.0	29.6	25.3			
Operating Expenses	1,016	1,051	1,026	1,111	1,394	1,384	1,300	1,311	4,204	5,388	1,311	0	18.0	0.9
Change YoY (%)	33.9	38.8	34.5	35.2	37.2	31.6	26.7	18.0	36	28	18			
EBITDA	734	775	798	732	982	1,040	1,070	908	3,039	4,001	999	-9	24.2	-15.1
Depreciation	45	46	50	52	57	61	65	71	194	255	67	6	36.7	9.2
Finance Cost	14	16	16	18	14	30	35	37	65	115	38	-3	99.5	3.9
Other Income	34	65	48	129	78	72	72	194	276	416	77	151	50.5	171.1
PBT	709	778	780	790	990	1,021	1,041	994.6	3,057	4,047	972	2	25.9	-4.5
Change YoY (%)	34.1	35.2	33.8	32.8	39.6	31.3	33.5	25.9	34	32	23			
Tax Provisions	177	200	200	221	256	259	269	257	798	1,040	268	-4	16.2	-4.2
Net Profit	533	577	580	569	734	762	773	737	2,259	3,007	704	5	29.6	-4.6
Change YoY (%)	34.3	34.5	34.5	33.3	37.9	32.0	33.2	29.6	34	33	24			
Key Operating Parameters (%)														
EBITDA Margin	41.9	42.4	43.8	39.7	41.3	42.9	45.2	40.9	41.9	42.6	43.2	-231 bp	124 bp	-422 bp
Cost to Income Ratio	58.1	57.6	56.3	60.3	58.7	57.1	54.8	59.1	58.1	57.4	56.8	231 bp	-124 bp	422 bp
PBT Margin	40.5	42.6	42.7	42.9	41.7	42.1	43.9	44.8	42.2	43.1	42.1	276 bp	195 bp	89 bp
Tax Rate	24.9	25.8	25.6	28.0	25.8	25.3	26.0	26.0	26.1	25.7	26.0	0 bp	-201 bp	0 bp
PAT Margins	30.4	31.6	31.8	30.9	30.9	31.4	32.6	33.2	31.2	32.0	30.5	275 bp	237 bp	63 bp

INR b Y/E March	New estimates			Old Estimates			Change in Estimates		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenues	9.4	11.3	13.2	9.5	11.6	13.9	-0.9%	-2.3%	-5.5%
Rev Gr. (%)	29.7	20.5	16.2	30.9	22.3	20.1			
Opex	5.4	6.4	7.5	5.4	6.6	7.9	0.0%	-2.0%	-5.4%
PBT	4.0	4.9	5.8	4.0	4.9	5.9	0.6%	0.5%	-2.6%
PAT	3.0	3.7	4.3	3.0	3.6	4.4	1.2%	1.0%	-2.0%
EPS (INR)	36.2	44.3	51.8	35.9	43.9	53.0	0.9%	0.9%	-2.1%
EPS Gr. (%)	33.7	22.4	17.1	32.6	22.4	20.7			
BV/Sh. (INR)	81.0	115.2	155.9	86.4	120.2	162.0	-6.3%	-4.2%	-3.8%
Ratios (%)									
EBITDA Margin	42.6	43.1	43.3	43.2	43.3	43.3	-54 bp	-20 bp	-5 bp
PAT margin	32.0	32.5	32.7	31.4	31.4	31.5	67 bp	108 bp	117 bp
RoE	45.5	45.0	38.1	43.5	42.3	37.4	202 bp	272 bp	75 bp
Div. Payout	19.4	22.6	21.2	27.9	22.8	20.8	-853 bp	-20 bp	46 bp
Valuations									
P/E (x)	50.0	40.8	34.9	49.3	40.3	33.4			
P/BV (x)	22.3	15.7	11.6	20.5	14.7	10.9			
Div. Yield (%)	0.4	0.6	0.6	0.6	0.6	0.6			



Highlights from the management commentary

Private Wealth Business:

- ARWL has added 48 Relationship Managers (RMs) over the past 12 months, bringing the total RM count to 380.
- Active client families grew 18% YoY to ~11.7k.
- Client attrition improved significantly, declining to 0.52% in FY25 from 0.99% in FY24.
- Regret attrition for RMs remained below 1% for the second consecutive year, with only two RMs exiting in FY25.

Net flows, AUM, and yields:

- Despite challenging market conditions, structured products outperformed, leading to a favorable shift in the AUM mix towards these offerings (28% in FY25 vs 24% in FY24).
- All 147 structured products maturing during the year delivered maximum coupon returns, capped between 13% and 15%.
- Approximately 37% of net inflows were contributed by new client families, with the remainder coming from existing (vintage) clients.
- Yields on matured structured products stood at 1.18% per annum. Management expects no yield compression in the medium term.
- For ~11.7k clients, the current portfolio mix ranges between 45% and 65% in long-only equity, with the balance allocated to structured products depending on each client's life stage with ARWL.

Financials:

- Return on Equity (ROE) for FY25 stood at 44.6%, marking a 503bp YoY increase.
- Other income grew 171% YoY to INR 194m, of which INR108m resulted from changes in the fair value of investments held, while the rest was earned through interest on fixed deposits and other financial assets.
- Primary and secondary Market Linked Debenture (MLD) issuances for 4QFY25 were INR13.92b and INR8.47b, respectively.
- Management has guided for operating leverage benchmarks of 40% of Profit Before Tax (PBT) and 30% of Profit After Tax (PAT).
- Maturities on structured products were in the range of ~INR 40-50b.
- The mark-to-market (MTM) assumption factored into the AUM guidance for FY26 is approximately 8%.

Operational Metrics and Guidance:

- Management has guided for the addition of 50-60 RMs in FY26.
- The number of clients per RM increased to 31 in 4QFY25 from 30 in 4QFY24. The company aims to increase this to the capping limit of 50 clients per RM, supported by investments in technology to enhance RM productivity.
- AUM per RM rose to INR1.98b in 4QFY25 from INR1.74b in 4QFY24, driven by improved RM productivity and organizational continuity.
- The Online Financial Advisory (OFA) business added 453 new subscribers over the past 12 months, bringing the total to 6,447.
- Management has provided revenue and PAT guidance for FY26 at INR 11.75b and INR 3.75b, respectively.
- ARWL has consistently delivered PAT growth of ~20-25% YoY over the last 14 quarters and will maintain this guidance going forward.
- Notably, ARWL is among only six companies within the top 1,000 listed entities to achieve 20%+ YoY PAT growth in every quarter over the past three years despite weak market sentiment, highlighting its resilience and market-agnostic performance.

Strategic Initiatives and Expansions:

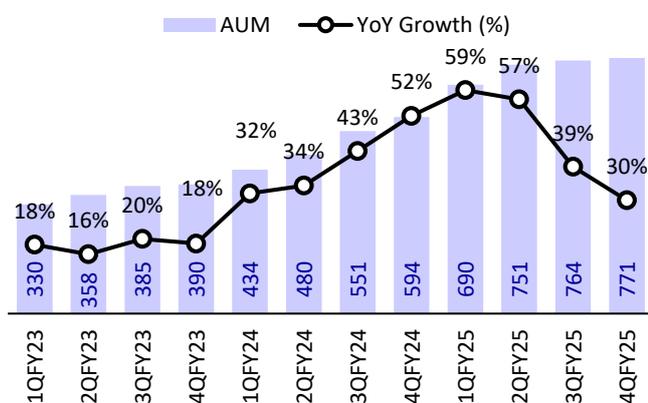
- The UK subsidiary licensing process is underway; ARWL has applied for regulatory approval to commence its wealth management business. Operations are expected to begin following a 4-6 month approval period.
- ARWL currently operates a representative office in Dubai and has applied for a license to initiate operations in Bahrain.
- In line with SEBI's introduction of the SIF platform, ARWL has decided not to onboard this platform for its clients' portfolios.

Others:

- During FY25, ARWL undertook three major corporate actions: a buyback worth INR1.65b, a 1:1 bonus issue, and the declaration of a final dividend of INR7 per equity share.
- Mr. Feroze Azeez has been promoted from Deputy CEO to Joint CEO.

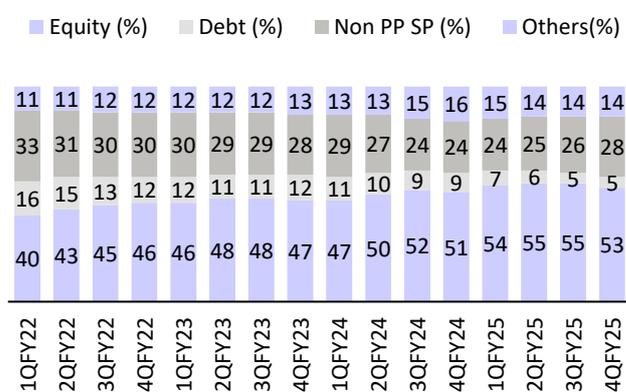
Key exhibits

Exhibit 1: Total AUM grew 30% YoY in 4QFY25



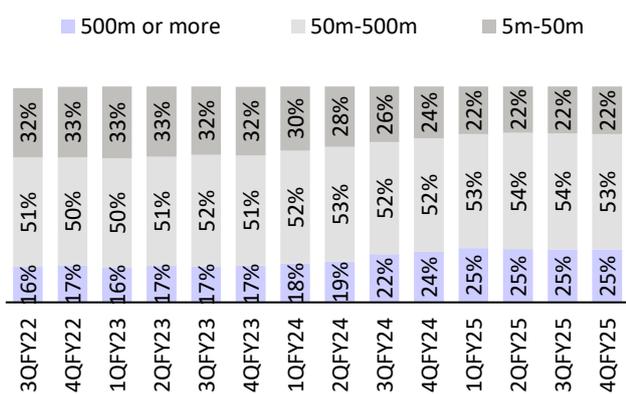
Source: MOFSL, Company

Exhibit 2: Share of equity AUM stood at 53% in 4QFY25



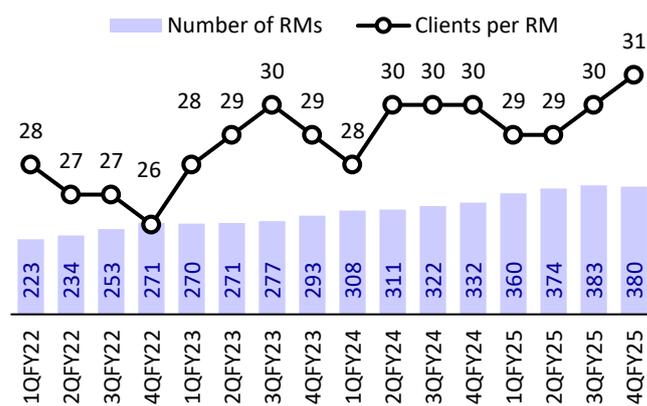
Source: MOFSL, Company

Exhibit 3: Cohort-wise mix remains stable



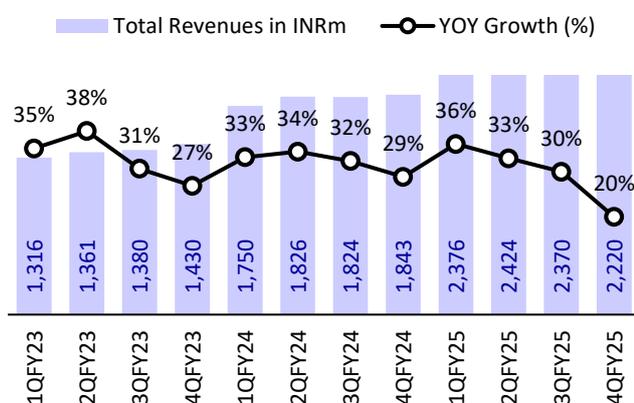
Source: MOFSL, Company

Exhibit 4: Trend showing RM additions and client productivity per RM



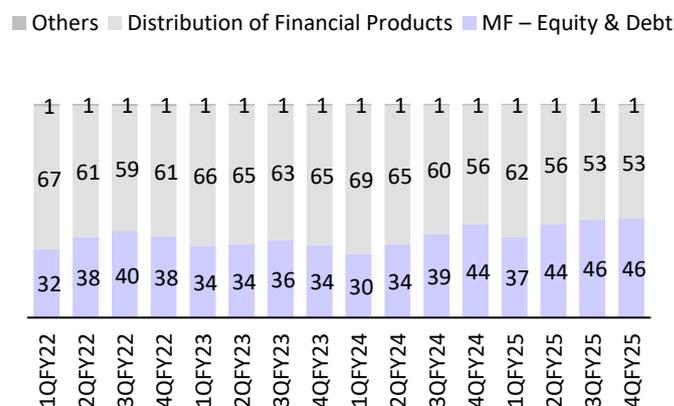
Source: MOFSL, Company

Exhibit 5: Revenue growth trend in INRm



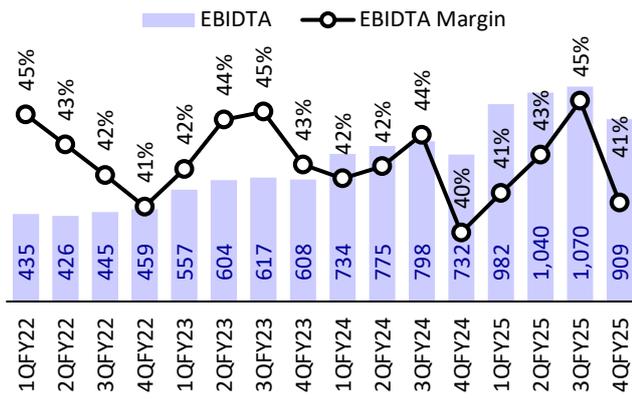
Source: MOFSL, Company

Exhibit 6: Trend in the revenue mix (%)



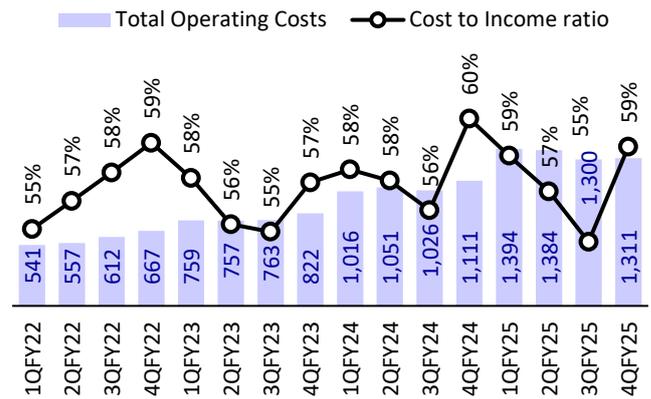
Source: MOFSL, Company

Exhibit 7: Trend in EBITDA (INRm) and EBITDA margins (%)



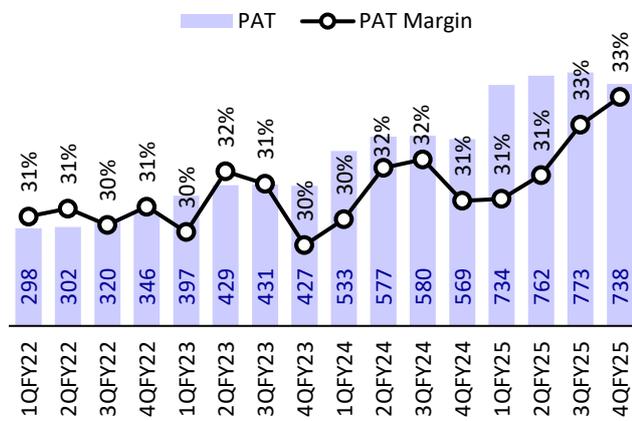
Source: MOFSL, Company

Exhibit 8: Cost-to-income ratio rose in 4QFY25



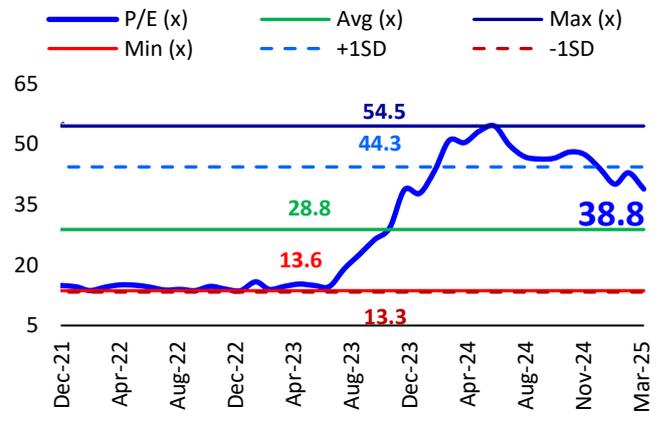
Source: MOFSL, Company

Exhibit 9: Consolidated PAT on an upward trend



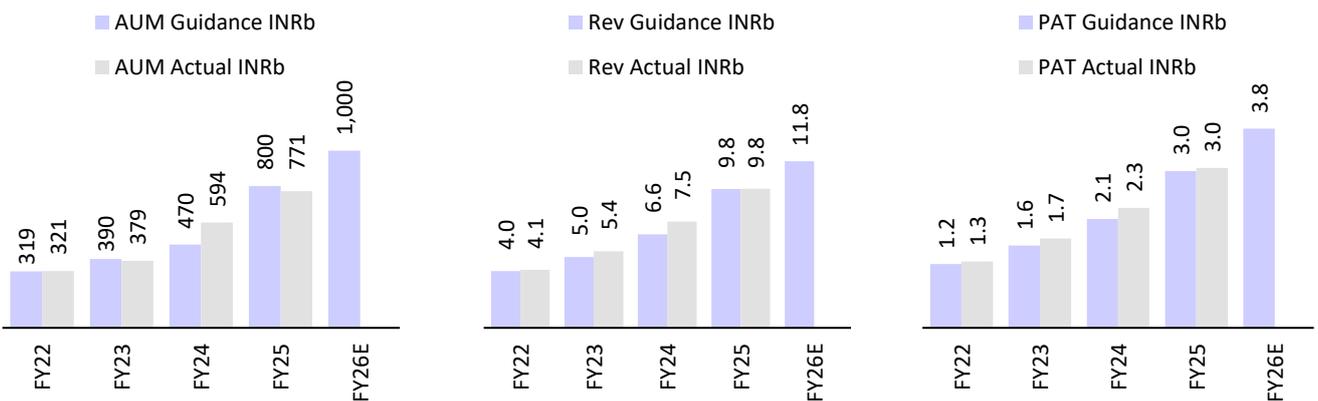
Source: MOFSL, Company

Exhibit 10: One-year forward P/E



Source: MOFSL, Company

Exhibit 11: Beat revenue and PAT guidance for FY25



Source: MOFSL, Company

Financials and valuations

Income Statement								(INRm)
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Mutual Fund Distribution Income	3,273	2,604	4,127	5,438	7,187	9,328	11,245	13,072
Other Operating income	46	45	48	48	56	63	72	83
Revenue From Operations	3,318	2,653	4,175	5,486	7,243	9,391	11,318	13,155
Change (%)	20.0	-20.0	57.3	31.4	32.0	29.7	20.5	16.2
Employee benefits expense	1,666	1,508	1,920	2,418	3,222	4,199	5,039	5,845
Other expenses	585	447	482	681	983	1,190	1,404	1,614
Operating Expenses	2,251	1,955	2,403	3,099	4,205	5,388	6,442	7,459
Change (%)	26.0	-13.2	22.9	29.0	35.7	28.1	19.6	15.8
Operating Profit	1,067	699	1,772	2,387	3,038	4,002	4,875	5,696
Other Income	46	139	77	103	276	416	478	550
Depreciation	210	173	157	166	194	255	274	302
Finance Cost	33	29	20	39	65	115	133	153
Exceptional items								
Profit Before Tax	870	636	1,673	2,285	3,056	4,048	4,946	5,791
Change (%)	5	-27	163	37	34	32	22	17
Tax	253	185	408	597	798	1,040	1,271	1,488
Tax Rate (%)	29.1	29.1	24.4	26.1	26.1	25.7	25.7	25.7
PAT	617	451	1,265	1,688	2,258	3,008	3,675	4,303
Change (%)	5.5	-26.8	180.4	33.4	33.8	33.2	22.2	17.1
Dividend	-	138	458	499	586	581	830	913

Balance Sheet

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Equity Share Capital	135	138	208	208	209	415	415	415
Reserves & Surplus	1,720	2,275	3,229	4,474	6,279	6,325	9,170	12,559
Net Worth	1,855	2,413	3,437	4,682	6,489	6,740	9,585	12,974
NCI	116	116	117	119	127	137	137	137
Borrowings	499	313	392	367	517	793	869	952
Other Liabilities	1,620	552	856	1,072	1,665	1,885	2,073	2,280
Total Liabilities	4,090	3,395	4,802	6,240	8,797	9,554	12,663	16,343
Cash and Investments	1,313	1,699	1,906	1,710	1,454	2,878	3,827	4,958
Change (%)	51.7	29.4	12.2	-10.3	-15.0	97.9	33.0	29.5
Loans	649	-	-	-	-	-	-	-
Net Fixed Assets	1,396	1,235	1,240	1,361	1,532	1,879	2,067	2,274
Non current assets	175	199	515	347	64	97	106	117
Current Assets	556	261	1,141	2,823	5,748	4,759	6,663	8,995
Total Assets	4,090	3,395	4,802	6,240	8,797	9,614	12,663	16,343

E: MOFSL Estimates

Financials and valuations

Cashflow Statement

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Cashflow from operations	1,425	-227	802	341	-37	4,248	1,978	2,185
PBT	870	636	1,673	2,285	3,056	4,048	4,946	5,791
Depreciation and amortization	210	173	157	166	194	255	274	302
Tax Paid	-253	-185	-408	-597	-798	-1,040	-1,271	-1,488
Interest, dividend income (post-tax)	-33	-99	-58	-76	-204	-309	-355	-408
Interest expense (post-tax)	23	20	15	29	48	86	99	113
Working capital	608	-773	-576	-1,466	-2,332	1,208	-1,715	-2,125
Cash from investments	-1,212	711	-418	-43	123	-327	-117	-111
Capex	-794	-12	-161	-287	-364	-602	-462	-508
Interest, dividend income (post-tax)	33	99	58	76	204	309	355	408
Others	-450	625	-316	169	283	-33	-10	-11
Cash from financing	234	-99	-177	-494	-342	-2,556	-853	-944
Equity	1	2	71	-	1	206	-	-
Debt	268	-185	79	-25	149	277	76	83
Interest costs	-23	-20	-15	-29	-48	-86	-99	-113
Dividends Paid	-	-138	-458	-499	-586	-581	-830	-913
Others	-11	242	147	59	141	-2,372	-	0
Change of cash	448	386	207	-196	-256	1,365	1,008	1,131
Opening Cash	866	1,313	1,699	1,906	1,710	1,454	2,878	3,827
Closing Cash	1,313	1,699	1,906	1,710	1,454	2,878	3,827	4,958

Valuations	2020	2021	2022	2023	2024	2025	2026E	2027E
BVPS (INR)	22.3	29.0	41.3	56.3	78.0	81.0	115.2	155.9
Price-BV (x)	81.1	62.4	43.8	32.1	23.2	22.3	15.7	11.6
EPS basic (INR)	11.4	8.3	15.3	20.2	27.1	36.2	44.3	51.8
Change (%)	3.3	-27.3	84.5	32.7	33.7	33.7	22.4	17.1
Price-Earnings (x)	159.0	218.8	118.6	89.4	66.8	50.0	40.8	34.9
DPS (INR)	-	2.5	5.5	6.0	7.0	7.0	10.0	11.0
Dividend Yield (%)	-	0.1	0.3	0.3	0.4	0.4	0.6	0.6

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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