



**SMC Ranking**  
 ★★☆☆☆ (1.5/5)

**Issue Highlights**

Industry	Broking
Offer for sale (Shares)	9,000,000
Fresh Issue (Shares)	3,800,000
<b>Net Offer to the Public</b>	<b>12,800,000</b>
Issue Size (Rs. Cr.)	327.68-345.6
Price Band (Rs.)	256-270
Offer Date	12-Dec-22
Close Date	15-Dec-22
Face Value	2
Lot Size	55

**Issue Composition** **In shares**

Total Issue for Sale	12,800,000
QIB	1,280,000
NIB	3,840,000
Retail	7,680,000

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	97.42%	72.09%
QIB	0.00%	2.55%
NIB	0.00%	7.66%
Retail	2.58%	17.70%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

- The Objects of the Net Fresh Issue is to raise funds for :
- Further Investment in the NBFC Subsidiary (Abans Finance Pvt. Ltd.) for financing the augmentation of its capital base to meet its future capital requirements.
  - General Corporate Purpose.

**Book Running Lead Manager**

- Aryaman Financial Services Limited

**Name of the registrar**

- Bigshare Services Private Limited

**About the company**

Incorporated in 2009, Abans Holdings Limited is engaged in Financial Services, Gold Refining, Jewellery, Commodities Trading, Agricultural Trading and Warehousing, Software Development and Real Estate. The company represents the financial services arm of the Abans Group. Abans Holdings Limited provides NBFC services, global institutional trading in equities, commodities and foreign exchange, private client stock broking, depository services, asset management services, investment advisory services and wealth management services to corporate, institutional and high net worth clients. The company's business is divided Finance Business, Agency Business and Capital and other Business. The company is primarily a holding company and it operates all its businesses through its seventeen (17) subsidiaries (including three (3) direct subsidiaries and fourteen (14) indirect/step-down subsidiaries). The company has active businesses in six (6) countries across the Eastern Continents, including Hongkong, the UK, UAE, China, Mauritius and India. On a consolidated basis, the company has employed 100 employees as of August 31, 2022.

**Strength**

**An integrated financial services platform:** The company offers its clients an integrated financial services platform, offering various financial services and products, including financing, institutional trading, private client brokerage, asset management and investment advisory services. Further, these services are provided not only in the Indian markets but across various markets and exchanges globally. Besides being members of the BSE, NSE, MSEI, NCDEX, ICEX, MCX and IIEL in India, it has memberships across various global commodity and forex exchanges including London Metal Exchange (LME), Dubai Gold & Commodities Exchange (DGCX), Dalian Commodity Exchange (DCE) and Shanghai International Energy Exchange (INE). Further it has in-house NBFC business which provides lending support to its clients. Its integrated service platform allows it to leverage relationships across lines of businesses and its industry / product knowledge by providing multi-channel delivery systems to its client base, thereby increasing its ability to cross-sell its services.

**Global exposure providing innovative financial products:** The company is a global financial services provider offering opportunities in multi-asset global institutional trading in equities, commodities and foreign exchange, private client broking, asset management and investment advisory services and wealth management services to corporate, institutional and high net worth individual clients. Its International exposure helps its customers diversify a portfolio, which in turn provides a balance between geographies. The company offers its clients with access to various commodity trading avenues through its direct/ indirect memberships in London Metal Exchange (LME), Dubai Gold & Commodities Exchange (DGCX), Dalian Commodity Exchange (DCE) and Shanghai International Energy Exchange (INE). Also, it offers its clients an advanced trading platform and FIX API connectivity that provides ultra-low latency. It specifically offers a Contract for Difference (—CFDII) product to its institutional and HNI clients with a risk appetite. CFD are a leveraged derivate product wherein the difference in the value of an asset from the time of opening of such a contract to its closure is exchanged under a specific contract / agreement. In such transactions, though, the client is not the owner of the financial instrument traded, they stand to benefit from any market.

**Strong relationships with clients and market participants:** It has been in the business of commodities, equities and forex trading, domestic and global and has amassed an experience of more than a decade. Over the period it has grown its network of clients and

traders not only in India, but also on a global scale, mainly in UK, Mauritius, Hongkong and the Middle East. Its focus on nurturing long-term relationships with its trading counter parts as well as HNI and institutional clients, and serving them through the course of their development, has enabled it to form strong relationships with these clients, thereby leading to long term sustainable and scalable business operations.

**Standardized operating procedures and efficient use of technology:** It has implemented standardized operating procedures that have enabled it to develop a scalable and replicable business model across the globe and across its various financing product portfolios. Its business operations involve a large number of transactions, across various countries and locations involving different currencies. It has implemented standardized terms for its financing products, as well as standardized operating procedures for customer acquisition, customer engagement, account management and cash collection. It typically has separate teams for customer origination, disbursement and collection and an entirely different team for compliances and for research into a large number of equities, commodities and other financial products, aimed at improving operating efficiencies, productivity and risk management.

### Strategy

**Using technology to create greater scalability:** It continues to strive to, effectively use technology to meet the changing needs of its clients, trading staff and other employees. The increase in the use of technology is strategic and integral to its business, as it helps to standardize its business processes, improve client and trading experience and reduce costs. The company aims to leverage the technology it currently use and progress further towards a model that meets its clients' requirements by facilitating easy on-boarding, ease in transacting and access to other relevant data through its digital platforms.

**Continue to expand its lines of business into complementary businesses:** It is a business conglomerate with primary focus on the financial services business dealing with global equity, commodities and forex markets. In addition to consolidating its existing lines of business, it intends to continue expanding into complementary businesses related to the equities, commodities, and other financial needs. Based on its experience of commodities trading, over the exchanges as well as physical trading, it has ventured into the business of developing and renting warehouses for traders, where it currently has approximately 0.43 lakhs sq. ft. of warehouse space already developed. Further, to complement its global trading business, it is also in the process of developing a treasury payment service for institutional clients by providing a range of services including the basic money transfer across exchange rates to enabling global trade counter-party payments. Its subsidiary Corporate Avenue Services Limited, incorporated in the United Kingdom, has applied for a payment processing license from the FCA, UK and has already received approval to act as an Authorised Payment Institution.

**Augment its fund based capacities in order to scale up business operations:** Through its subsidiary AFPL, it is a RBI registered NBFC with a primary focus on providing Indian Rupee denominated secured and unsecured structured term financing solutions to individuals and corporates primarily in the category of small and medium enterprise (—SMEII) borrowers in India. The lending business is characterised by high capital requirements to be able to provide loans to potential clients without compromising on raising capital through low interest sourcing. It generally sources its capital for the NBFC business, by issuing secured & unsecured debentures as well as by availing credit facilities from banks in India.

### Risk factor

- The company has reported negative net cash flows in the past and may do so in the future.
- Unexpected market movements and disruptions could affect the capital business making its revenues and profits highly volatile.
- The majority of its advances by its NBFC is unsecured and is not supported by any collateral.
- The company relies on the Indian exchanges and certain international exchanges for a significant portion of its business.

## Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcaps
Geojit Fin. Ser.	467.18	118.01	4.94	9.76	1.72	28.03	1	48.20	1152.41
Choice Intl.	318.30	44.85	4.51	59.70	6.98	38.56	10	269.25	2679.36
Edelweiss.Fin.	7292.44	207.00	2.19	31.71	1.01	68.84	1	69.45	6549.84
Abans Holdings Limited	638.63	61.97	12.36	21.85	1.57	172.03	2.00	270.00	1353.94

\* Peer companies financials are TTM based.

## Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 270, the stock is priced at pre issue P/E of 20.19x on its FY22 EPS of Rs. 13.37. Post issue, the stock is priced at a P/E of 21.85x on its EPS of Rs. 12.36. Looking at the P/B ratio at Rs. 270 the stock is priced at P/B ratio of 1.70x on the pre issue book value of Rs. 158.72 and on the post issue book value of Rs. 172.03 the P/B comes out to 1.57x.

On the lower end of the price band of Rs.256 the stock is priced at pre issue P/E of 19.15x on its FY22 EPS of Rs. 13.37. Post issue, the stock is priced at a P/E of 20.71x on its EPS of Rs. 12.36. Looking at the P/B ratio at Rs.256, the stock is priced at P/B ratio of 1.61x on the pre issue book value of Rs. 158.72 and on the post issue book value of Rs. 172.03, the P/B comes out to 1.49x.

## Industry Outlook

ICRA expects the broking industry to post a record performance in the current fiscal supported by the healthy participation of retail investors and favourable systemic liquidity. As per a recent note, the industry is likely to clock a total revenue of ~Rs. 27,000-28,000 crore in FY2022, registering a year-on-year (YoY) growth of 28-33%. Given this backdrop, the outlook for the brokerage industry is Stable. However, the revenue growth rate is expected to taper to 5-7% in FY2023 with an expected industry total turnover of Rs. 28,500-29,000 crore; but again, growth remains contingent on capital market performance and maintenance of similar yields as seen in recent years. While broking entities have been attempting to diversify their portfolio offerings, with increasing focus on other services/businesses, the core broking business is expected to account for 70-75% of the total revenues over the near to medium term. Giving further insight, Ms. Samridhi Chowdhary, Vice President – Financial Sector Ratings, ICRA Ratings says, —The domestic capital markets reported a steady increase in transaction volumes in the current fiscal after a strong performance in FY2021. The average daily turnover increased by 126% to Rs. 63.07 lakh crore in 9M FY2022 from Rs. 27.92 lakh crore in FY2021 (Rs. 14.39 lakh crore in FY2020). The market performance was supported by favourable liquidity in both domestic and international markets, better-than-expected corporate earnings, pick-up in economic activity, rising internet penetration and healthy participation of retail investors. We expect the markets to remain volatile, going forward, amid various domestic and international cues. While the transaction volumes have reported a month-on-month growth, primarily led by the derivatives segment during the quarter, prolonged subdued capital markets could have a bearing on the cash segment turnover and other allied capital market businesses, which, in turn, could impact the industry's earnings. ICRA analysed the performance of its sample 18 brokerage companies, which also reflects the industry trends. The sample reported a strong uptick in earnings in FY2021, registering a Y-o-Y growth of ~38% in total revenues. The cost structure and operational efficiency of the brokerage companies also improved over the past few years with focus on customer acquisition through digital channels and improvement in economies of scale. With the continued market rally, the capital market related lending business particularly the margin trade funding book has scaled up significantly since March 2021, thereby leading to an increase in the borrowing level. In this regard, an analysis of 10 prominent retail-oriented broking companies shows that the aggregate capital market loan book (comprising margin funding products, loan against securities, employee stock ownership plan funding) scaled up by 141% to Rs. 11,076 crore as of March 2021 from Rs. 4,591 crore as of March 2020, and further to Rs. 18,643 crore as of September 2021 (growth of 68%). Going forward, ICRA expects the gearing of the brokerage industry (particularly for larger entities with adequate ability to raise debt) to increase from the current levels. However, the performance of the lending book would remain sensitive to capital market movements.

## Outlook

Abans Holdings, which started with commodities trading, now operates a diversified global financial services business, providing non-banking finance company (NBFC) services, global institutional trading in equities, commodities and foreign exchange, private client stock broking, and depository services. However, the majority of its advances by its NBFC is unsecured and is not supported by any collateral. On the sectoral front, driven by high credit demand, The banking, financial services and insurance (BFSI) sector has been one of the standout performer. Going forward, as the growth of the Indian economy is intact; the sector will continue to see good growth going forward. A long term Investor with high risk appetite may opt the Issue.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	12-December-22
BID/ISSUE CLOSSES ON	15-December-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	20-December-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	21-December-22
Credit of Equity Shares to demat accounts of Allottees	22-December-22
Commencement of trading of the Equity Shares on the Stock Exchanges	23-December-22

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-August-22 (5 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	284.90	638.63	1325.51
Total expenditure	256.14	554.21	1249.84
<b>Operating Profit</b>	<b>28.76</b>	<b>84.42</b>	<b>75.67</b>
OPM%	10.10	13.22	5.71
Other Income	3.41	7.61	5.85
<b>PBDIT</b>	<b>32.17</b>	<b>92.03</b>	<b>81.53</b>
Depreciation	0.25	0.72	1.12
<b>PBIT</b>	<b>31.92</b>	<b>91.31</b>	<b>80.41</b>
Interest	2.08	25.51	31.30
Restated Profit before tax	29.83	65.80	49.11
Exceptional Items	0.00	0.46	0.00
<b>Profit after Exceptional Items and before tax</b>	<b>29.83</b>	<b>66.26</b>	<b>49.11</b>
Tax	0.09	4.28	3.31
<b>PAT</b>	<b>29.74</b>	<b>61.97</b>	<b>45.80</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 31-Aug-22	As on 31-Mar-22	As on 31-Mar-21
<b>Non-current assets</b>			
Property, plant and equipment	13.3054	13.3305	13.8546
Intangible Assets	0.55	0.59	0.72
Right of use Assets	0.11	0.11	0.13
Goodwill	5.67	5.67	5.67
Financial assets			
Investments	83.65	88.24	58.15
Loans	0.15	0.00	0.00
Other non current Financial assets	5.66	3.16	1.49
Other non current assets	0.74	0.05	0.04
<b>Total non-current assets</b>	<b>109.82</b>	<b>111.14</b>	<b>80.06</b>
<b>Current assets</b>			
Inventories	56.92	60.17	23.22
Financial Assets			
Trade receivables	225.83	297.92	342.73
Cash and cash equivalents	27.94	69.02	153.34
Other Bank Balances	134.68	72.79	55.23
Other financial assets	9.18	16.27	10.94
Derivative financial instruments	60.56	0.00	5.76
Investments	10.90	9.07	1.63
Short-Term Loans & Advances	587.56	526.28	505.08
Other current assets	7.34	6.03	3.52
<b>Total current assets</b>	<b>1120.91</b>	<b>1057.55</b>	<b>1101.45</b>
<b>Total Assets</b>	<b>1230.72</b>	<b>1168.69</b>	<b>1181.51</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Loans&Borrowings	32.96	34.44	198.70
Lease liabilities	0.14	0.14	0.15
Provisions	1.57	1.85	2.67
Deferred tax liabilities	1.24	2.72	3.03
<b>Total financial liabilities</b>	<b>35.91</b>	<b>39.15</b>	<b>204.56</b>
<b>Current liabilities</b>			
Borrowings	43.96	51.47	68.68
Trade payable	64.53	107.50	53.64
Other Financial liabilities	288.40	232.50	187.44
Derivative financial instruments	0.00	1.54	0.00
Lease liabilities	0.01	0.01	0.01
Provisions	0.20	0.19	0.27
Current Tax Liabilities	0.50	0.27	1.27
Other Current liabilities	10.29	0.44	5.56
<b>Total current liabilities</b>	<b>407.90</b>	<b>393.92</b>	<b>316.87</b>
<b>Total</b>	<b>443.81</b>	<b>433.07</b>	<b>521.43</b>
<b>NET Worth</b>	<b>786.92</b>	<b>735.63</b>	<b>660.08</b>
Net worth represented by:			
Equity Share capital	9.27	9.27	9.27
Other equity	668.90	621.84	552.68
Equity attributable to owners of the Parents	678.17	631.11	561.95
Non Controlling Interest	108.75	104.52	98.13
<b>Net Worth</b>	<b>786.92</b>	<b>735.63</b>	<b>660.08</b>

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★★
<b>FAIR</b>	★★★
<b>GOOD</b>	★★★★
<b>EXCELLENT</b>	★★★★★

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