

Anand Rathi Wealth Ltd. (ARWL)

Date: 10 July 2025

Price: 2120

Action: BUY

Industry/Sector	Target Price	Upside Potential	Investment Duration
Capital Market- Wealth Management	2585 to 2700	22% to 27 %	9 to 12 Months

About Company:

- Anand Rathi Wealth Ltd. is a leading non-bank wealth solutions firm in India, ranked among the top 3 non-bank mutual fund distributors in the country, particularly catering to High-Net-Worth Individuals (HNIs) and Ultra High Net Worth Individuals (UHNIs), with a growing focus on the mass affluent market through digital channels.
- Services and Offerings: company provides a comprehensive suite of wealth solutions and financial product distribution, tailored to different client segments:
 - **Private Wealth Segment:** focuses on HNI & Ultra HNI clients, with an AUM of INR 75,291 cr. as of FY25. It served 1.98 Lakhs active client families, supported by 380 Relationship Managers with 79% of client AUM coming from clients with over 3 years of association, while 21% came from those with a vintage of 0–3 years.
 - **Digital Wealth Segment:** Company through its subsidiary AR Digital Wealth serves the mass affluent market segment through its 'Phygital' channel with 22 Lakhs platform clients. As of FY25, this vertical has AUM of INR 1,812 cr. vs INR 1,000 cr. in FY23 with 6,447 subscribers.
 - **Omni Financial Advisor:** Through a subsidiary, Ffreedom Intermediary Infrastructure, the company has introduced the OFA vertical, tailored specifically for Mutual Fund Distributors. It offers a SaaS-based subscription service for MFDs and IFAs. As of March 31, 2025, 6,447 MFDs/IFAs subscribed to the OFA platform, managing INR 1,42,935 cr. in assets and serving 2.2 million end-clients.
- AUM Breakup of FY25- Equity MF (53%), Structured Products (28%), Debt MF (14%) and others (direct equity, bonds, corporate fixed deposits- 5%).
- Promoter's holding is 47.29% as of 31 March 2025.

Historical Financial Performance:

(INR Crs.)	Q4FY24	Q4FY25	Growth y/y%	FY24	FY25	Growth y/y%
Revenue from Operations	184.3	222.0	20.4	724.3	939.1	29.7
Total Revenue	197.2	241.4	22.4	752.0	980.7	30.4
Employee Benefit Expenses	84.0	101.1	20.3	322.2	419.9	30.3
Other Expenses	34.2	40.8	19.5	124.1	156.0	25.6
Total Cost	118.2	141.9	20.1	446.4	575.8	29.0
PBT	79.0	99.5	25.9	305.6	404.8	32.5
PAT	56.9	73.7	29.7	225.8	300.8	33.2
PAT Margin (%)	28.8	30.5		30.0	30.7	
EPS (Rs.)	6.8	8.9	30.2	27.0	36.2	33.7
AUM (Rs. Crs.)	59,351	77,103	29.9	59,351	77,103	29.9

Particulars (Rs. Crs.)	FY21	FY22	FY23	FY24	FY25
MF – Equity & Debt	90.2	154.0	189.9	266.6	406.4
Distribution of financial products	170.6	258.8	353.9	452.1	526.4
IT enabled services	4.5	4.8	4.9	5.6	6.3
Others	13.9	7.7	10.3	27.6	41.6
Total revenue	279.2	425.2	558.9	752.0	980.7
Employee costs	150.8	192.0	241.8	322.2	419.9
Other expenses	45.0	48.2	68.2	98.3	156.0
Total costs	195.8	240.2	310.0	420.5	575.8
PBT	62.9	167.4	228.4	305.6	404.8
PBT margin%	22.5%	39.4%	40.9%	40.6%	41.3%
PAT	44.6	126.8	168.6	225.8	300.8
PAT margin%	16.0%	29.8%	30.2%	30.0%	30.7%

Particulars (Rs. Crs.)	FY21	FY22	FY23	FY24	FY25
MF – Equity & Debt	14,559	19,434	23,221	35,577	44,937
Structured Products	9,408	9,591	10,974	14,398	21,565
Others	2,703	3,881	4,797	9,376	10,601
Total AUM	26,670	32,906	38,993	59,351	77,103

All financial numbers are on Consolidated Basis

Q1 FY26 (April-June 2025) Financial Performance:

- Total revenue grew by 16% YoY to INR 284.3 cr.
- EBITDA margin expanding impressively to 46.6% from 41.3% YoY.

Anand Rathi Wealth (Q1 FY 26 Results) - Consolidated							
Amounts In Cr. (INR)	Q4 FY25	Q1 FY26	QoQ Growth		Q1 FY25	Q1 FY26	YoY Growth
Operating Revenue	222	274	23.42%		237.6	274	15.32%
Operating Profit	90.8	127.8	40.75%		98.2	127.8	30.14%
OPM %	40.90%	46.64%			41.33%	46.64%	
Other Income	19.4	10.2			7.8	10.2	
PAT (Net Profit)	73.5	93.6	27.35%		73.2	93.6	27.87%
PAT Margins %	33.11%	34.16%			30.81%	34.16%	

Private Wealth Business Division:

- AUM of “50 Cr and Above” (UHNI) category clients had grown from INR 6,450 cr. to INR 18,520 cr. during FY23 to FY25.
- Private wealth division has an AUM of INR 85,742 Cr as of 30 June 2025 (97.66% of total consolidated AUM managed by the company).
- As of 30 June 2025, UHNI client category contributes 26.9% in total AUM of Private Wealth.

Private Wealth Management Business Division			
Client AUM Category (INR)	FY23 (March 31, 2023)	FY24 (March 31, 2024)	FY25 (March 31, 2025)
50 Lakhs - 5 Cr.	31.80%	24%	22.10%
5 Crores - 50 Cr.	51.20%	52.40%	53.30%
50 Crores and Above	17%	23.60%	24.60%
Total AUM Size	37,942	57,807	75,291

Management Commentary & Guidance (11 July 2025):

- EBITDA margin expanding impressively to 46.6% from 41.3% YoY.
- AUM rises by 27% YoY to INR 87,797 cr. as of 30 June 2025.
- Mutual Fund Distribution revenue grew by 27% YoY to 113 cr.
- Share of Equity Mutual Funds in AUM: 54% as of June 2025.
- Net inflows of INR 3,825 cr. and onboarded 598 new client families (net) in Q1 FY26, taking the total families served to 12,330.
- Client attrition, measured by AUM lost, remained at a low 0.11%, underscoring the strength of our client-centric uncomplicated approach.
- Management explicitly stated their expectation to grow their PAT by 20-25% consistently for years to come. For FY26 specifically, prior to Q1 results, they had given a PAT guidance of INR 375 cr. Their strong Q1 performance (INR 93.9 cr., which is approximately 25% of the annual target) suggests they are well on track to meet or even exceed this.
- **FY 26 Guidance (11 April 2025):-**
 - Revenue of 1,175 cr. with a 20% growth.
 - PAT of 375 cr. with a 24 to 25% PAT growth
 - AUM of 1 Lakh Cr.

Potential Future Growth Possibilities:

- Company possesses a significant immediate growth opportunity by leveraging its current Relationship Manager capacity, **capable of onboarding an additional 6,000 clients without new RM hires** (currently clients per RM is 31 compared to internal target of 50), further bolstered by strategic plans to expand its 380-strong RM headcount by 50-60 in FY26 through internal promotions, ensuring scalable and efficient client base expansion.
- **Geographical Expansion:** The planned new offices in London and Bahrain and GIFT City (India), alongside the existing Dubai office, will enable ARWL to tap into the large Non-Resident Indian (NRI) wealth pool.
- **Both DW and OFA** showed healthy revenue growth (18% YoY for subsidiaries in Q1 FY26) and AUM growth (DW AUM up 19% YoY to INR 2,055 cr.). Over the next 12-18 months, continued investment in technology, platform enhancements, and expanding the user base for both these subsidiaries can significantly contribute to overall AUM and revenue, especially by addressing the mass affluent and B2B2C segments.
- **Structured Products** already represent a significant 28% of their AUM mix (Q1 FY26). The ability to consistently design and distribute these products effectively, adapting to market conditions and client preferences (as seen with Structured Products share rising from 24% to 27% in Q1FY26), allows ARWL to maintain higher yields and cater to sophisticated client needs, ensuring stable revenue streams even if equity markets face headwinds.

Potential Risks:

- **Market Volatility and Downturns:** A significant downturn or prolonged volatility in equity or bond markets (both domestic and global) could negatively impact company's AUM. Since a substantial portion of their revenue is linked to AUM-based fees (e.g., trail commissions from mutual funds) and transaction volumes, a market correction would directly hit their revenue and profitability.
- **Intensifying Competition:** Competition from established banks (private banking arms of Kotak, Axis, ICICI Private), other large non-bank wealth managers and large broking houses remains fierce. These players often have deeper pockets, wider distribution networks, and strong brand recall which might impact on margins.

- **Talent Attraction and Retention:** The wealth management industry, particularly for experienced Relationship Managers (RMs) and product specialists, is highly competitive. Poaching of key talent by competitors, offering higher compensation or more attractive roles (e.g., greater autonomy), poses a constant risk.
- **Regulatory Changes:** Regulators (SEBI, RBI) in India frequently review and modify rules related to commissions, advisory fees, and product distribution. Any adverse changes to fee structures (e.g., caps on trial commissions, changes in direct vs. regular plan dynamics) could directly impact ARWL's revenue model, especially given their significant mutual fund distribution revenue.
- **Cybersecurity Threats:** As a financial services firm managing significant client assets and data, ARWL is vulnerable to cybersecurity breaches. A data breach or system hack could severely damage client trust, lead to financial losses, and incur regulatory penalties.

Peer Comparison:

Amounts In Cr. (INR)	Anand Rathi Wealth	Nuvama Wealth Mangement
Market Cap	17,600	26,370
P/E Ratio	55	26.75
AUM Mix	Private Wealth (75,291 cr.) and Digital Wealth (1812 cr.)	Nuvama Private (2 Lakhs cr.), Nuvama Wealth (94K cr.), Asset Management (11K cr.) and Nuvama Asset Services (1.26 Lakhs cr.)
Revenue Mix	MF – Equity & Debt (43.56%) and Distribution of financial products (56.43%)	Wealth Management (49.1%), Capital Market (26.2%), Asset Services (22.6%) and Asset Management (2%)
ROE	44.5%	28.3%

Conclusion:

- Our outlook on Anand Rathi Wealth is positive and recommend a BUY at the current market price for investors with a medium- to long-term horizon, despite short-term headwinds such as global tariff uncertainties and market volatility.
- The company's strong and experienced management team continues to be a key differentiator. Notably, ARWL has consistently delivered EBITDA margins in the range of 42–45%, while achieving revenue and profit growth exceeding 30% CAGR over the past three years.
- The AUM for Anand Rathi Wealth Ltd.'s "INR 50 cr. and above" (UHNI) client category expanded from INR 6,450 cr. in FY2023 to INR 18,520 cr. by FY2025, concurrently increasing its contribution to the total AUM from 17.0% to 24.6% during the same period. Moreover, as of 30 June 2025, UHNI client category increased its contribution to 26.9% in total AUM of Private Wealth.
- We believe that ARWL's management can navigate potential future risks and deliver projected PAT growth of 20–22% in the upcoming financial year. Based on these strong fundamentals, consistent financial performance, and reasonable valuations relative to earnings growth, we estimate an upside potential of 22–27% over the next 9 to 12 months.

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