

IPO Details

| | |
|---------------------------|-------------------------|
| Opening Date | Jan 18, 2023 |
| Closing Date | Jan 20, 2023 |
| Stock Exchange | BSE SME |
| Lot Size | 6000 Shares |
| Issue Price | ₹ 20 per share |
| Issue Size | 53,70,000 Equity Shares |
| Application Amount | ₹ 1,20,000 |

IPO Objective

Investment in a Wholly-owned Subsidiary Company
General Corporate Purpose

Pre-Issue Shareholding

| Category | No. of Shares | % of Total Shares |
|---------------------------|---------------|-------------------|
| Promoter & Promoter Group | 1,50,00,000 | 100% |
| Public | - | - |

Promoter of the Company

- Mr. Hemant Dharnidharka
- Mrs. Preeti Saraogi

Competitive Strengths

- Experienced Promoters and management team
- Diversified yet integrated mix of business.
- Long term relationship with the clients.
- Strong Risk Management System

Company Background

- Company was incorporated in the year 2015 in Bangalore, Karnataka.
- Company offers diversified financial services.
- The company has clients from 11+ states, 300+ clients, and 200 Crore AUM as on March 2022.
- Company is also empanelled as a Fixed Deposit Broker.
- Company is registered as a Real Estate Broker with large players like Prestige Estate Projects and Embassy Group.
- Company has its own app, "Dharni Wealth" on Play Store and App Store.
- As on 06 January 2023, company had 3 employees on its payroll.

Financial Summary

| | (In Lacs) | | |
|-------------------------|-----------|----------|--------|
| For the Period Ended | Mar-21 | Mar-22 | Sep-22 |
| Total Assets | 25.35 | 245.24 | 292.91 |
| Net Assets | 11.16 | 226.74 | 285.47 |
| Total Borrowings | 9.35 | - | - |
| Total Revenue | 255.41 | 1,469.40 | 304.95 |
| Profit After Tax | 15.26 | 96.58 | 58.73 |

Tentative Timeline

| | |
|----------------------------------|--------------|
| Opening Date | Jan 18, 2023 |
| Closing Date | Jan 20, 2023 |
| Basis of Allotment | Jan 25, 2023 |
| Initiation of Refunds | Jan 27, 2023 |
| Credit of Shares to Demat | Jan 30, 2023 |
| Listing Date | Jan 31, 2023 |

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Company Overview

Company offers diversified financial services such as Mutual Fund Distribution Services, Fixed Deposit Distribution Services, Real Estate Brokerage Services, Technical Consultancy and Outsourcing since incorporation, 2015. The modus operandi is to counsel individual clients, understand their profile, needs and concerns, build customized financial investment portfolios, offer a comprehensive selection of investment alternatives that will suit their financial goals. Company has presence across both online and offline channels. Company is a growing Mutual Fund distributor in terms of commission and average asset under managements. Company is also registered with Karnataka RERA Authority as an agent. Company has its own app, “Dharni Wealth” on Play Store and App Store.

Analysis

Being incorporated in the year 2015, the company has decent track record of existence. Company offers a technology enabled, comprehensive investment and financial services platform with end-to-end solutions critical for financial products distribution and presence across both online and offline channels. As on September 30, 2022 and March 31, 2022, company’s assets under management from the mutual fund distribution business (“AUM”) stood at ₹ 5,379.30 Lakhs and ₹ 6,367.60 Lakhs respectively with around 80% of total AUM being debt oriented.

Company is an empanelled distributor with SBI Mutual Fund, HDFC Mutual Fund, ICICI Prudential Mutual Fund, Aditya Birla Sunlife Mutual Fund, Nippon Mutual Fund, Kotak Mutual Fund, UTI Mutual Fund, Axis Mutual Fund and many more. Company is one of the top distributors for Shriram Transport Finance company Limited in Karnataka.

Key metrics of Company’s business vertical as on March, 2022

| Vertical | Key Metric |
|---------------------------------------|-------------|
| Mutual funds | AUM |
| Fixed Deposit | AUM |
| Real Estate | Sales Value |
| Technical Consultancy and Outsourcing | Sales Value |

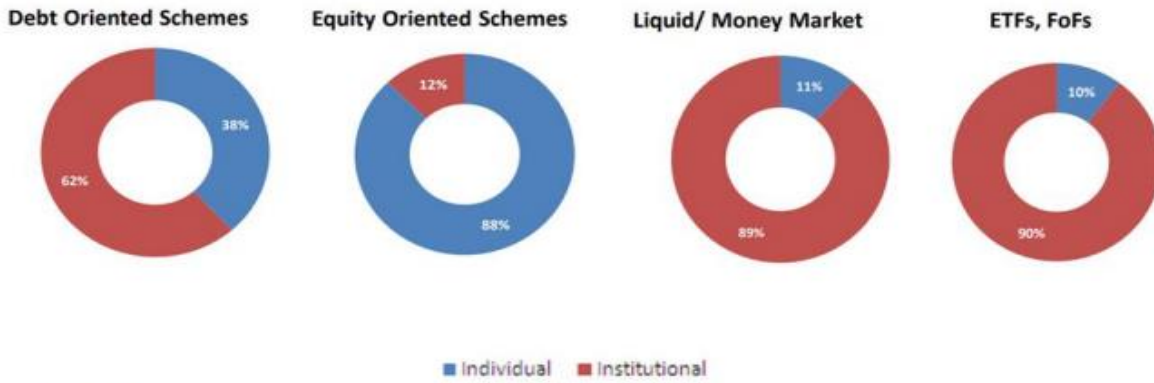
Company's revenue from different sources:

| Particulars | September 30,2022 | March 31, 2022 | March 31, 2021 |
|--|-------------------|----------------|----------------|
| Revenue From: | | | |
| Distribution of Mutual fund products | 18.21 | 42.08 | 35.97 |
| % Of Total Revenue | 6.02% | 2.86% | 14.08% |
| Distribution of Fixed deposits | 6.50 | 45.07 | 74.66 |
| % Of Total Revenue | 2.15% | 3.07% | 29.23% |
| Real Estate Broking | 127.46 | 84.63 | - |
| % of Total Revenue | 42.12% | 5.76% | - |
| Technical Consultancy and Outsourcing | 144.77 | 1293.5 | 140 |
| % of Total Revenue | 47.84% | 88.06% | 54.81% |
| Interest Income | 5.68 | 3.55 | - |
| % of Total Revenue | 1.88% | 0.24% | - |
| Total Revenue from operations (Includes Int. Income) | 302.62 | 1468.83 | 255.41 |

To conclude, the company operates in growing sector but the same is poised with a high level of competition. The company poses decent track record of existence and has not been able to show good strength in revenues, and also the services provided are not unique and there are plenty of such service providers.

Industry Charts

Exhibit 1: Investor Categories Across Scheme Types

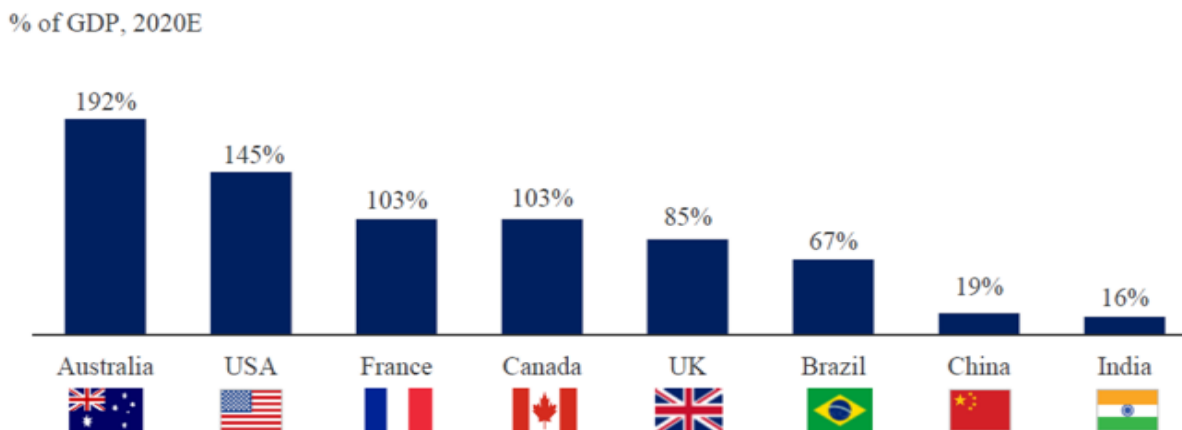


Source: AMFI

Exhibit 2: Share of Individual and Institutional Investors in Mutual Fund Industry



Exhibit 3: Mutual Fund AUM/ GDP Ratio



(Source: AMFI, Company Research)

Investment Overview

Indian Financial Service Sector Industry

Financial services system plays a crucial role in the economic development of a country. It allows efficient flow of savings and investments, managing credit requirement of businesses. Financial services have the ability to give support for growth of a new business access to capital and returns on savings. India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, cooperatives, pension funds, mutual funds and other smaller financial entities.

Indian equities have seen a strong growth with major indices such as NIFTY 50 and Sensex generating a CAGR of ~10% between FY 2015-2021. Market analysts remain bullish for Indian equities in the long-term owing to macroeconomic factors and growth.

The market participation has also been on the rise with the number of demat accounts rising at the rate of ~15% CAGR between FY 2015-FY 2021. COVID-19 accelerated the growth further with ~14 million new demat accounts opened in FY 2021, a ~35% rise in a year.

Overall mutual fund AUM in India, for individual investors is expected to reach ~ US\$ 500 billion by FY 2026 which was at ~US\$ 224 billion in FY 2021. Digital channels as a mode of investment have picked up pace rapidly contributing 55%-65% of all incremental mutual fund purchases in FY 2021 and is expected to drive 70%-75% of all incremental purchases by FY 2026.

Real Estate Investment Trust (REIT) platform will allow all kind of investors to invest in the Indian real estate market. It would create an opportunity worth ₹1.25 trillion (US\$ 19.65 billion) in the Indian market in the coming years. Responding to an increasingly well-informed consumer base and bearing in mind the aspect of globalization, Indian real estate developers have shifted gears and accepted fresh challenges.

(Source: Prospectus)

Addressable Market for DHARNI Capital Services Limited

The company has clients from 11+ states, 300+ clients, and 200 Crore AUM as on March 2022. Company operates from Whitefield, Bangalore. Company has a very good potential and could definitely increase its geographic expansion in the coming years.

Competition

Company faces competition from other distribution outfits spread throughout the country. The industry is fragmented and has many organised and unorganised players. The threat of entry is high in this industry and although being filled with large players, only reputed players are covering the market. Certain of Company's competitors are larger than them, better renowned, have more financial resources, expertise or benefit from a more experienced management team

Peer Analysis

As provided in the prospectus, the company has 9 listed peers viz. IIFL Wealth Management Ltd, ICICI Securities Ltd, Central Depository Services (India) Ltd, Computer Age Management Services Ltd, HDFC Asset Management Company Ltd, Nippon Life India Asset Management Ltd, UTI Asset Management Company Ltd, Anand Rath Wealth Ltd and Prudent Corporate Advisory Services Ltd.

| Company | Dharni Capital Services Limited | IIFL Wealth Management Ltd | ICICI Securities Ltd | Central Depository Services (India) Ltd | Computer Age Management Services Ltd | Nippon Life India Asset Management Ltd | UTI Asset Management Company Ltd | Anand Rathi Wealth Ltd | Prudent Corporate Advisory Services Ltd | HDFC Asset Management Company Ltd |
|----------------------------|---------------------------------|----------------------------|----------------------|---|--------------------------------------|--|----------------------------------|------------------------|---|-----------------------------------|
| Net Profit (INR Cr) | 0.97 | 306.05 | 1,382.60 | 311.18 | 286.95 | 744.16 | 534.29 | 126.72 | 80.33 | 1,393.13 |
| EBITDA (INR Cr) | 1.30 | 465.56 | 1,915.29 | 420.09 | 441.4 | 1,015.89 | 697 | 183.32 | 120.49 | 1,909.14 |
| Return on Capital Employed | 55.02% | 35.28% | 19.66% | 35.65 | 52.37 | 27.43 | 16.77 | 41.23 | 36.94 | 32.92 |
| Return on Equity | 42.60% | 19.27% | 56.88% | 28.47 | 47.87 | 21.39 | 13.27 | 32.96 | 29.84 | 25.19 |
| EPS#(INR) | 0.64 | 10.09 | 42.88 | 29.78 | 58.74 | 12.02 | 42.11 | 30.58 | 19.41 | 65.37 |
| P/E* (Times) | 31.06 | 6.45 | 11.63 | 36.22 | 38.17 | 21.1 | 19.33 | 24.82 | 54.61 | 32.94 |

*PE has been calculated as on 14/01/2023

Post IPO Basis

Promoters' Profile and Management Analysis

Mr. Hemant Dharnidharka



- Mr. Hemant Dharnidharka as the Promoter of Dharni Capital Services Limited, is heading the overall operations of the Group.
- He is a Commerce Graduate from St. Xavier's College, Kolkata and PGD in Management from IIM Lucknow.
- He has also completed Chartered Accountancy and Company Secretary Courses.
- He also possesses Certification from Association of Mutual Funds of India (AMFI) in Mutual Funds, NCFM Certification in Derivatives.
- He has an overall Experience of 22 years in the Finance Industry.

Mrs. Preeti Saraogi



- Mrs. Preeti Saraogi is a promoter and handles HR and admin matters at the company.
- She has been involved with the Company's activities since the inception.
- She is a B.com Graduate and has done her PGD in HRM in 2010.

Analysis on the Company's Promoter and Board of Directors

Mr. Hemant Dharnidharka as the Promoter and managing director of Dharni Capital, is heading the overall operations of the Group. Hemant is a Commerce Graduate from St. Xavier's College, Kolkata and also is Postgraduate Diploma in Management from IIM-Lucknow. He has also completed Chartered Accountancy and Company Secretary Courses. He also possesses Certification from Association of Mutual Funds of India (AMFI) in Mutual Funds, NCFM Certification in Derivatives. He has an overall Experience of 22 years in the Finance Industry. He was last working as Managing Director with SJS Markets in Bangalore. He has previously worked with YL eServices, Frontline Analysts, Cadbury and Citibank

Mrs. Preeti Saraogi is a promoter of Dharni Capital and wife of Mr. Hemant Dharnidharka. She has been involved with the Company's activities since the inception of the Company. Preeti is a B.com Graduate and has done her Postgraduate Diploma in Human Resource Management in 2010. She handles HR and admin matters at the company.

Mr. Maj Gen Jaideep Mittra is independent director of the company. He has retired from the Indian Army after nearly four Decades of service to the Nation. A product of the National Defence Academy and a graduate of the Defence Services Staff College. A qualified Independent Director from the Institute of Directors, Maj Gen Jaideep Mittra has held various assignments with Corporate Sector post retirement.

Mr. Vinay Agarwal is independent director of the company is a Commerce Graduate from St. Xavier's College, Kolkata. He is a Chartered Accountant since 2009 and has also done CFA (Chartered financial analyst) from ICFAI Hyderabad. He has an overall Experience of 10 years in the Manufacturing Industry.

To conclude, the company's promoter, Mr. Hemant has good experience and excellent educational qualifications in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.

Financial Snapshot

(Amount in Lacs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2022 | As at 30th Sep, 2022 |
|--|------------------------|------------------------|----------------------|
| Profit and Loss | | | |
| Revenue from operations | 255.41 | 1,465.28 | 296.94 |
| Other income | - | 4.12 | 8.01 |
| Total Revenue | 255.41 | 1,469.40 | 304.95 |
| Expenses | 233.51 | 1,335.06 | 224.40 |
| Depreciation and Amortisation Cost | 2.36 | 5.46 | 1.93 |
| Finance Cost | 0.01 | 0.01 | 0.25 |
| Total Expenses | 235.88 | 1,340.53 | 226.58 |
| PBT | 19.53 | 128.87 | 78.37 |
| PBT Margin | 7.65% | 8.79% | 26.39% |
| EBITDA | 21.90 | 130.22 | 72.54 |
| EBITDA Margin | 8.57% | 8.89% | 24.43% |
| Net Profit | 15.26 | 96.58 | 58.73 |
| Net Profit Margin | 5.97% | 6.59% | 19.78% |
| Balance Sheet | | | |
| Total Borrowings | 9.35 | - | - |
| Net Worth | 11.16 | 226.74 | 285.47 |
| Fixed Assets | 15.85 | 11.17 | 10.11 |
| Net Working Capital | 2.67 | 98.52 | 21.26 |
| Financial Measures (Annualised) | | | |
| Receivables Turnover Ratio | - | 72.47 | 1,484.70 |
| Payables Turnover Ratio | - | - | - |
| Fixed Assets Turnover Ratio | 16.11 | 131.18 | 95.02 |
| Return on Capital Employed | 95.27% | 55.02% | 9.96% |
| Return on Equity | 136.74% | 42.60% | 8.28% |
| Debt-Equity Ratio | 0.84 | - | - |

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 21.90 lacs in 2021 to Rs. 130.22 lacs in 2022 and on 30th Sep 2022 it was Rs. 72.54 lacs and if we annualise the same it would be around Rs. 145.08 lacs. The EBITDA on annualised basis has grown at a CAGR of 157.38%. The EBITDA margin in 2021 was 8.57%, 8.89% in 2022 and 24.43% up to 30th Sep 2022.

Net Profit

The net profit of the company has grown from Rs 15.26 lacs in 2021 to Rs. 96.58 lacs in 2022 and as on 30th Sep 2022 it was Rs. 58.73 lacs and if we annualise the same it would be around Rs. 117.46 lacs growing at a CAGR of 177.44%. The net profit margin in 2021 was 5.97%, 6.59% in 2022 and 19.78% up to 30th Sep 2022. The net profit margin of the company has shown extra-ordinary growth.

Finance Cost.

The company's finance cost mainly due to Bank charges.

Financial Measures/Ratios

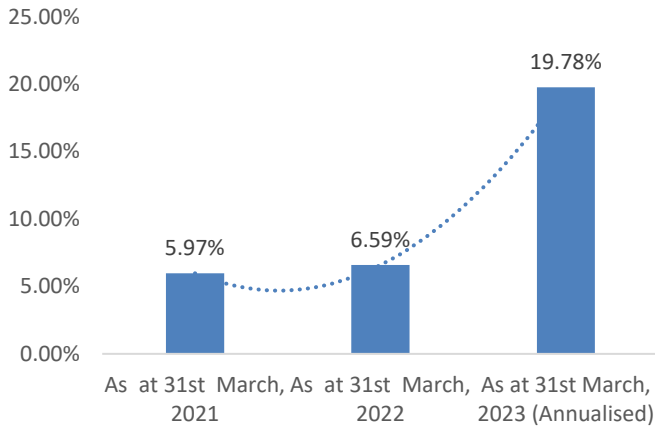
RoCE of the company up to 30th Sep 2022 is 24.73% vs 55.02% in 2022 and 95.27% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 9.96%. The RoCE has fallen significantly every year due to increase in equity base of the company and is expected to go down in the coming times.

ROE of the company in 2021 was 136.74%, 42.60% in 2022 and 20.57% up to Sep 2022, if annualised, ROE would be around 8.28%. The ROE likewise RoCE has been decreasing. With increase of equity base, the ROE is expected to come down on annualised basis.

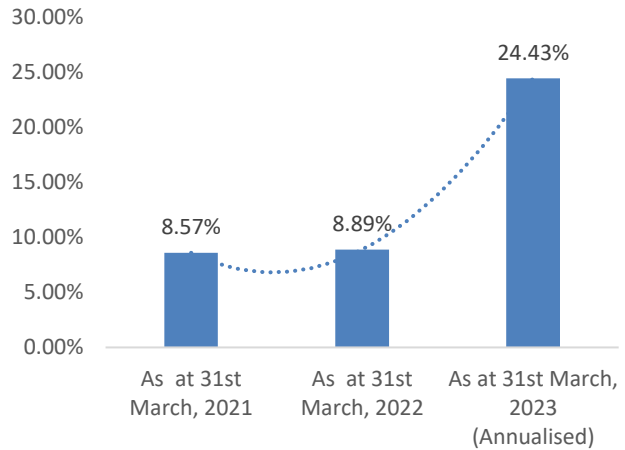
The company has no debt-equity ratio which is usual in this industry.

Financial Charts

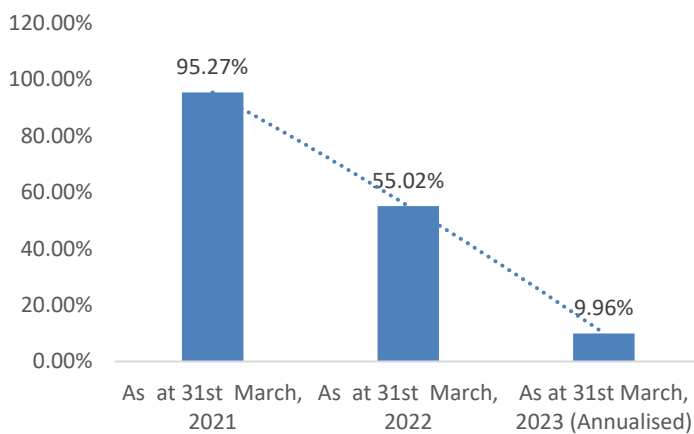
Net Profit Margin



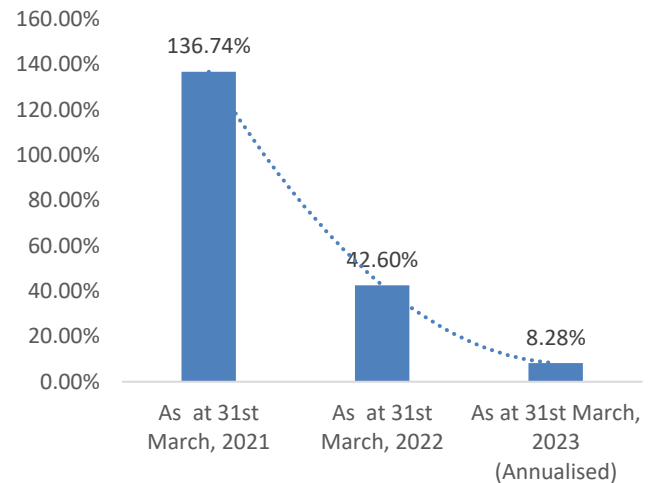
EBITDA Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company operates in a regulated environment, which is subject to change, and existing and new laws, regulations and government policies affecting the sectors in which they operate could adversely affect their business.
2. Company's registration with AMFI, Karnataka RERA and Shop & Establishment are still in the old name of the Company i.e., Dharni Online Services Private Limited.
3. Company have experienced negative cash flows in the past.

Track Record of Lead Manager

The lead manager to the issue is Srujan Alpha Capital Advisors LLP and this is the 1st mandate. As this is the 1st mandate handled by company, lead manager's past performance cannot be tracked.

Recommendation

The company has been into this industry from 2015 and possess decent experience in the field of business. The company has good growth in its top and bottom line which may not be sustainable in future. **The objective of the issue is to invest in its wholly owned subsidiary.**

The revenue and profit margins of the company has shown some good growth. However, the mixed ratios of the company have been decreasing.

The management outlook of the company is also good.

The company is getting listed at a PE of around 31.06 times on post IPO basis and looking at the size of the company and on comparison with its peer companies it is overpriced.

To conclude, the company has been in a good sector, but the objective of the company is not good as well as risky. The company is also operating in highly competitive industry. The company has shown increasing revenues but the mixed ratios are decreasing. Looking at all these, it is better to **avoid** applying in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.