

### Company Overview

Abans Holding Ltd. was incorporated in September 2009 by first-generation entrepreneur Mr. Abhishek Bansal. Abans is a holding company that operates its businesses through 17 subsidiaries which consist of three direct subsidiaries and fourteen indirect/step-down subsidiaries. The company is a diversified global financial services provider, which has its base in India, providing various services such as NBFC, multi-asset global institutional trading in equities, commodities and foreign exchange, private client broking, asset management & investment advisory and wealth management to corporate, institutional and high net worth individual clients. It is worthwhile to note that the company has grown from being a commodity trading company in its inception into a diversified multi-asset and multi-national financial services company. The company's financial services business caters to mainly three verticals - finance business, agency business, and capital business. The finance business represents the lending business of the company where the source of revenue is the interest income and the total lending assets as of 31<sup>st</sup> August 2022 stood at around Rs. 174 crores. Abans' NBFC business is primarily focused on providing Indian Rupee-denominated secure and unsecured structured-term financing solutions to private traders and other small and medium businesses in the category of small and medium enterprises (SMEs). In its agency business, it acts as a financial intermediary wherein it earns stock broking income, consultancy and advisory income, wealth and asset management commissions, and commissions from transactional advisory services. The capital business vertical comprises mainly internal treasury operations including physical commodities trading along with exchange-based trading in foreign exchange, equities, and commodities, and also includes groups investments and dividend incomes. The company also operates in certain non-trading but related businesses that are starting points for a diversified financial business group. It involves the business of warehousing, agri-trading, and payment gateway services through its subsidiaries and contributes less than 2% of the company's total gross operating income.

### Objects of the issue

The IPO proceeds of the fresh issue will be used towards the following purposes:

- ⇒ Further Investment in NBFC Subsidiary (Abans Finance Pvt. Ltd.) for financing the augmentation of its capital base to meet future capital requirements.
- ⇒ General corporate purpose.

### Investment Rationale

#### An integrated financial services platform allows a large product bandwidth to customers

Abans offers an integrated financial services platform, offering various financial services and products, including financing, institutional trading, private client brokerage, asset management, and investment advisory services. The company has a competitive edge as these services are provided not only in the Indian markets but across various markets and exchanges globally. The company has membership across major exchanges in India such as BSE, NSE, MSEI, NCDEX, ICEX, MCX, and IIEL. Apart from this, it also has membership across the globe for global commodity and forex exchanges which includes London Metal Exchange (LME), Dubai Gold & Commodities Exchange (DGCX), Dalian Commodity Exchange (DCE), and Shanghai International Energy Exchange (INE). The company's integrated service platform allows it to leverage relationships across lines of businesses and their industry/product knowledge by providing multi-channel delivery systems to its client base, thereby increasing its ability to cross-sell its services.

#### Global exposure in providing innovative financial products gives an edge to the company

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, investment advisory services, and wealth management services to corporate, institutional, and high-net-worth individual clients. The company's international exposure helps its customers to diversify their portfolio, which in turn provides a balance between geographies. The company has adopted innovative technology due to which it offers its clients an advanced trading platform and FIX API connectivity that provides ultra-low latency. The unique selling point of the company is that it offers a Contract for Difference (CFD) product to its institutional and HNI clients with a risk appetite. CFDs are a leveraged derivative 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 movements, which are in their favor, thus providing them with large risk-based investment leverage. Global access allows the company to deploy its treasury funds in the most viable transactions and thus providing them with leveraging opportunities across different locations.

### Valuation and Outlook

India's diversified financial sector is undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. Thus, we find Abans being one of the beneficiaries due to such reforms. Moreover, despite the shocks in past such as the pandemic and current geopolitical situation, Abans Holding was able to grow at PAT levels in the last two years. The company's decadal experience in dealing with global equity, commodities, and forex markets has given it confidence in expanding into complementary businesses. However, any economic slowdown or recession that is highly unpredictable, may adversely affect business operations, and future financial performance. Moreover, the company operates in a highly competitive environment and a crowded space where there is little differentiation in terms of product offerings. On the upper end of the price band, the issue is valued at a P/E of around 20.1x on FY2022 earnings. We, therefore, have a cautious view and recommend an "AVOID" to the IPO.

Issue Details	
Offer Period	12 <sup>th</sup> Dec - 15 <sup>th</sup> Dec, 2022
Price Band	Rs.256 to Rs.270
Bid Lot	55
Listing	BSE & NSE
Issue Size (no. of shares in mn)	12.8
Issue Size (Rs. in bn)	3.46
Face Value	2

Issue Structure	
QIB	10%
NIB	30%
Retail	60%

BRLM	Aryaman Financial Services
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Registrar	Bigshare Services Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter	96.45	71.19
Promoter Groups	0.97	0.90
Public	2.58	27.91
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Abans Holdings Ltd.

## Income Statement (Rs in million)

Particulars	5M FY23	FY22	FY21	FY20
<b>Revenue</b>				
Revenue from Operations	2,849	6,386	13,255	27,652
<b>Total Revenue</b>	<b>2,849</b>	<b>6,386</b>	<b>13,255</b>	<b>27,652</b>
<b>Expenses</b>				
Purchases of Stock in Trade	2,494	5,655	11,654	26,080
Change in inventory of Stock-in-Trade	(70)	(465)	55	216
Employee benefit expenses	62	129	148	234
Other expenses	75	223	641	221
<b>Total Operating Expenses</b>	<b>2,561</b>	<b>5,542</b>	<b>12,498</b>	<b>26,750</b>
<b>EBITDA</b>	<b>288</b>	<b>844</b>	<b>757</b>	<b>902</b>
Depreciation and amortisation expense	3	7	11	14
Other income	34	76	59	67
<b>EBIT</b>	<b>319</b>	<b>913</b>	<b>804</b>	<b>955</b>
Finance costs	21	255	313	532
Exceptional Item	-	5	-	-
<b>PBT</b>	<b>298</b>	<b>663</b>	<b>491</b>	<b>423</b>
Current tax	15	31	32	42
Deferred Tax charge	(14)	12	1	(11)
<b>Total tax</b>	<b>1</b>	<b>43</b>	<b>33</b>	<b>31</b>
<b>PAT</b>	<b>297</b>	<b>620</b>	<b>458</b>	<b>392</b>
<b>Diluted EPS</b>	<b>6.4</b>	<b>13.4</b>	<b>9.9</b>	<b>8.5</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs in million)

Particulars	5M FY23	FY22	FY21	FY20
Cash Flow from operating activities	287	(115)	622	181
Cash flow from investing activities	(15)	(347)	(40)	(644)
Cash flow from financing activities	(64)	(206)	660	221
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>208</b>	<b>(668)</b>	<b>1,243</b>	<b>(242)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,418</b>	<b>2,086</b>	<b>843</b>	<b>1,084</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,626</b>	<b>1,418</b>	<b>2,086</b>	<b>843</b>

Source: RHP, BP Equities Research



## Abans Holdings Ltd.

## Balance Sheet (Rs in million)

Particulars	Aug 31, 22	FY22	FY21	FY20
<b>Equity and Liabilities</b>				
Share Capital	93	93	93	31
Other Equity	6,689	6,218	5,527	4,965
Non Controlling Interests	1,087	1,045	981	905
<b>Net worth</b>	<b>7,869</b>	<b>7,356</b>	<b>6,601</b>	<b>5,900</b>
<b>Financial Liabilities</b>				
Borrowings	330	344	1,987	1,607
Lease liabilities	1	1	2	5
Provisions	16	18	27	26
Deferred tax liabilities	12	27	30	143
<b>Total Non Current Liabilities</b>	<b>359</b>	<b>391</b>	<b>2,046</b>	<b>1,780</b>
<b>Current Liabilities</b>				
Borrowings	440	515	687	1,581
Lease liabilities	0	0	0	2,174
Trade Payables				
(a) total outstanding dues of micro enterprises and small enterprises	19	68	490	0
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	627	1,007	46	0
Other Financial Liabilities	2,884	2,325	1,874	615
Short Term Provisions	2	2	3	5
Other current liabilities	103	20	56	61
Current tax liabilities	5	3	13	12
<b>Total Current Liabilities</b>	<b>4,079</b>	<b>3,939</b>	<b>3,169</b>	<b>4,449</b>
<b>Total liabilities</b>	<b>4,438</b>	<b>4,331</b>	<b>5,214</b>	<b>6,230</b>
<b>Total Equity and Liabilities</b>	<b>12,307</b>	<b>11,687</b>	<b>11,815</b>	<b>12,130</b>
<b>Assets</b>				
Property, plant and equipment	133	133	139	145
Right-of-Use assets	1	1	1	2
Goodwill on Consolidation	57	57	57	56
Investments	836	882	581	472
Other Intangible assets	5	6	7	11
Loans	1	0	0	0
Investments accounted for using the equity method	0	0	0	0
Other Financial Assets	57	32	15	12
Other non-current assets	7	0	0	1
<b>Total Non current assets</b>	<b>1,098</b>	<b>1,111</b>	<b>801</b>	<b>698</b>
Inventories	569	602	232	288
Investments	109	91	16	2
Trade Receivables	2,258	2,979	3,427	4,335
Cash and cash equivalents	279	690	1,533	774
Other Bank Balances	1,347	728	552	69
Loans and Advances	5,876	5,263	5,051	5,322
Other Financial Assets	697	163	167	573
Other current assets	73	60	35	68
<b>Total Current Asset</b>	<b>11,209</b>	<b>10,575</b>	<b>11,015</b>	<b>11,431</b>
<b>Total Assets</b>	<b>12,307</b>	<b>11,687</b>	<b>11,815</b>	<b>12,130</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ The company is primarily a holding company and operates all its business through its 17 subsidiaries. The performance of these subsidiaries may adversely affect the company's results of operations.
- ⇒ Any downward revision in its credit rating could adversely affect its ability to service debts as well as raise funds in the future.
- ⇒ The company has reported negative net cash flows in the past and may do so in the future.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392