



IPO Note

Rikhav Securities Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Rikhav Securities Limited was originally incorporated as "Brijmohan Sagarmal Finance Limited" on March 21, 1995. The registered office is located at Mumbai, Maharashtra, India.
- **Business Activity:** The company is engaged in the business of equity broking, investing, and trading activities.
- **Revenue Stream:** The company derives majority of its Revenue from Trading Income.
- **Human Resource:** The company has 394 employees as on Sep 30, 2024.

Objects of the Issue -

- Funding incremental working capital requirements.
- Funding of capital expenditure requirements of the Company towards purchase of IT Software, Computers and Laptops.
- General Corporate Purpose.

Promoters Name -

Hitesh Himatlal Lakhani, Rajendra N Shah, Bharti Hitesh Lakhani, Vaishali R Shah, Deep Hitesh Lakhani, Monil Rajendra Shah and M/s. Hitesh Himatlal Lakhani HUF.

Rationale for recommendation -

- ✓ The company is fairly priced with a post-IPO annualized P/E of around 3.27 times, indicating value potential.
- ✓ The management, backed by a qualified and experienced promoter group, ensures decent governance and operational efficiency.
- ✓ Exponential growth in revenue, net profit, and EBITDA has been achieved, but maintaining such growth could be challenging.
- ✓ Financial stability is ensured through prudent management of equity and liabilities, despite competitive pressures.
- ✓ In a highly competitive financial services industry, RSL's focus on innovation, customer-centric offerings, and market-making expertise positions it well to capitalize on emerging opportunities.
- ✓ The sustainability of growth depends on continued operational efficiency and adaptation to market dynamics.

IPO Details

Opening Date	Jan 15, 2025
Closing Date	Jan 17, 2025
Allotment Date	Jan 20, 2025
Listing Date	Jan 22, 2025
Stock Exchange	BSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹82 to ₹86
Issue Size	88.82 Cr.
Fresh Issue	71.62 Cr.
Offer for Sale	17.20 Cr.
Application Amt	₹ 1,37,600 (1,600 shares)

INDUSTRY - Finance & Investments

Average Industry PE as per RHP - 19.58

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	3,549.91	4,946.76	10,416.17	9,285.81
EBITDA	1,832.4	2,337.52	4,824.87	6,271.77
Net Profit	1,762.4	1,910.27	4,264.62	5,037.31
RoCE	23.66%	24.00%	34.33%	33.02%
ROE	23.23%	20.12%	30.89%	26.73%
P/E	14.63	13.48	6.04	3.27*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
76.78%	60.08%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	14.23	26.31
BVPS	92.16	81.07
P/E	6.04	3.27
P/BV	0.93	1.06
Mkt Cap (In Cr)	257.69	329.31

*Annualized

Lead Managers -

Smart Horizon Capital Advisors Private Limited

Registrar -

Link Intime India Private Ltd

Business Overview -

Rikhav Securities Limited (RSL), established in 1995, is a prominent player in India’s financial services industry, specializing in equity broking, investing, trading, and market-making. The company operates across multiple financial verticals, providing a diverse range of services, including stock broking, derivatives, and currency trading, as well as mutual fund distribution, IPO facilitation, and depository services.

RSL holds memberships with major exchanges such as BSE, NSE, and MCX and is a Self-Clearing Member of ICCL and NCL. The company leverages advanced technology, such as the “Rikhav Plus App” for digital trading, and offers integrated solutions to cater to retail, institutional, and high-net-worth clients across India.

Key Business Verticals and Activities

1. Stock Broking:

- Offers trading in equities, derivatives, and currency markets.
- Provides personalized trade execution services and real-time portfolio management via digital platforms.
- Focus on retail, corporate, and HNI clients with customized fee structures.

2. Derivatives and Currency Trading:

- Active in futures and options (F&O) trading, providing hedging solutions for clients.
- Currency trading services include arbitrage opportunities and leveraging market volatility in pairs like USD-INR and GBP-INR.

3. Market Making:

- Facilitates liquidity for newly listed companies on SME exchanges with two-way quotes.
- Registered market maker for BSE (since 2012) and NSE (since 2016), contributing significantly to SME market efficiency.

4. Mutual Fund Distribution:

- Distributes a wide range of mutual funds, offering centralized platforms and portfolio updates.

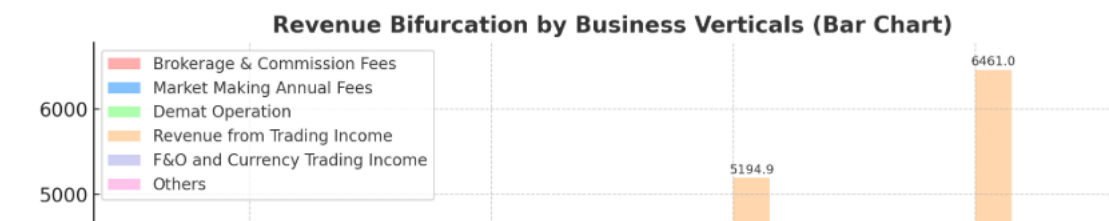
5. Depository Services:

- Provides seamless account management and depository services through CDSL for over 18,400 active clients.

6. IPO Facilitation:

- Enables clients to apply for IPOs through a dedicated online platform.

RSL has demonstrated significant revenue growth across its verticals, driven by diversification and a focus on digital innovation. Key revenue segments include trading income, brokerage and commission fees, and F&O trading. Below is the bar chart illustrating the revenue bifurcation of Rikhav Securities Limited across different business verticals over the last financial years:



RSL's diversified portfolio, technological integration, and focus on market-making establish it as a vital contributor to India's evolving financial markets. With sustained growth in trading income and expanding operational scale, the company is well-positioned for future success.

Competition -

- 1. Market Competition:** The market is highly competitive, with factors including client relationships, service quality, pricing, reputation, and convenience. RSL competes with both organized and unorganized players, including large domestic and international financial service providers operating in similar business lines.
- 2. Geographic Competition:** RSL faces competition from broking outfits spread across the country. With the increasing adoption of digital platforms, RSL also competes with national players offering online and hybrid broking services.
- 3. Barriers to entry:** Low, as the financial services sector has minimal entry barriers, leading to frequent new entrants in the market.
- 4. Threat of Substitutes:** High, as clients can easily switch to alternative brokerage firms or direct market access platforms offering similar services at competitive rates.
- 5. Bargaining Power of Buyers:** High, as clients have numerous options to choose from, and pricing and service quality are significant determinants of client retention.
- 6. Bargaining Power of Supplier:** Low, as RSL relies on robust internal systems and technology providers, many of which are easily replaceable or negotiable.

Business Strategies -

1. The company intends to expand its operations by adding a new sector to its business profile focused on Margin Trading Facility (MTF) and aims to maintain an MTF book.
2. Company intends to invest in additional resources for enhancing and advancing the technology to cater to the existing clients and to be equipped for adding more clients.
3. Company plans to establish presence in the western and central region of India and intends to set up branch offices in major cities.
4. Company plans to expand offerings by enhancing distribution of third-party mutual fund schemes, and establishing a market-making function for fixed income securities focused on SME companies.

Risk Factors -

1. There are outstanding litigations (mostly relating to Taxation Matters) involving Company, its Promoters and Directors amounting to ₹689.58 Lakhs.
2. Company has been subject to certain penal actions from the Stock Exchanges and Regulatory Authority in the past.
3. Company had negative cash flows in the past years from operating activities.
4. Company has contingent liabilities as on 30th Sep 2024 amounting to ₹13,070.32 Lakhs most of this amount is from Guarantees given on Behalf of the Company.

PEER ANALYSIS –

Particulars	Rikhav Securities Limited			Alacrity Securities Limited			Angel One Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	49.65%	38.62%	40.94%	1.23%	1.55%	3.35%	27.20%	29.46%	26.30%
EBITDA Margin	51.62%	47.25%	46.32%	1.47%	2.27%	4.87%	37.22%	40.44%	36.53%
RoCE	23.66%	24.00%	34.33%	18.64%	18.53%	36.53%	52.71%	54.90%	49.39%
ROE	23.23%	20.12%	30.89%	16.33%	13.13%	25.42%	39.44%	41.17%	37.04%
EPS (INR)	5.88	6.38	14.23	1.66	1.53	5.43	75.88	107.04	134.45
P/E	14.63	13.48	6.04	7.34	8.75	11.60	20.33	10.86	22.65

Particulars	Rikhav Securities Limited			Share India Securities Limited			Pune E-Stock Broking Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	49.65%	38.62%	40.94%	23.1%	29.9%	28.6%	19.87%	21.96%	16.30%
EBITDA Margin	51.62%	47.25%	46.32%	31.5%	40.7%	38.4%	28.38%	31.20%	22.79%
RoCE	23.66%	24.00%	34.33%	42.3%	39.8%	28.7%	14.04%	12.88%	11.64%
ROE	23.23%	20.12%	30.89%	43.9%	32.3%	24.2%	13.06%	11.18%	9.45%
EPS (INR)	5.88	6.38	14.23	12.50	20.32	24.02	12.59	12.24	10.80
P/E	14.63	13.48	6.04	20.24	10.42	13.53	-	-	11.05

- The post issue market cap of the company is lower than its peers except Pune E-Stock Broking Limited.
- The PE ratio of the company low compared to the peers.
- The RoCE and RoE of the company is less in comparison to Angel One and Share India and is almost at par with the other two peers.
- The NP margin and EBITDA margin of the company is higher, but does not have similar trend as its peers.

INDUSTRY OVERVIEW -

Global Financial Services Industry -

The financial services industry is making moves worth a staggering \$22.7 trillion! Despite the chaos of 2020, fintech investments soared to \$44 billion, proving that money never sleeps. From the rise of robo-advisors managing trillions in assets to the exponential growth of blockchain wallets and cryptocurrency adoption, the financial world is a whirlwind of innovation and opportunity.

Indian Financial Services Industry -

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, nonbanking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

Indian Capital Market -

Capital markets facilitate the buying and selling of financial instruments, enabling businesses to raise long-term funds for fixed capital requirements and investors to invest in securities for their future. They are crucial for economic growth and wealth creation, as they provide a reliable source of funding for businesses and investment opportunities for individuals. Despite heightened geopolitical risks, rising interest rates and volatile commodity prices, Indian capital markets have been one of the best performing among emerging markets in FY24, reflecting India's bright economic stature. Capital markets are becoming prominent in India's growth story, with an expanding share in capital formation and investment landscape on the back of technology, innovation, and digitization.

Market Capitalization to GDP ratios across countries (percentage)

Years	India	China	Brazil	Japan	South Korea	United Kingdom	United States
Dec-19	77	60	65	121	89	106	159
Dec-20	95	79	68	129	122	92	197
Dec-21	113	80	50	136	127	108	208
Dec-22	105	65	42	126	96	91	158
Dec-23	124	61	44	147	114	71	179

Note: *GDP figures are taken from the World Federation of Exchanges (WFE), and market capitalisation is calculated as the sum of the market capitalisation of NASDAQ and NYSE Source: CEIC Database, World Bank, WFE

Indian capital markets have witnessed a broad-based expansion across various sub-markets, with the country's equity market capitalization reaching ₹415 lakh crore (USD 5 trillion) in May 2024, placing it fifth in the global rankings.

Key Management -



Management Persons Name -	Hitesh Himatlal Lakhani
Age	60
Designation and No. of years of experience	Promoter, Chairman and Managing Director, with more than 18 years of experience in the areas of accountancy, taxation, capital market and stock broking.
Qualification	Chartered Accountant
Responsibility	Day-to-day affairs of the Company
Other Directorships	Rikhav BPO & Software Services Private Limited, Virang Enterprises Private Limited

Key Management Persons Name -	Rajendra N Shah
Age	61
Designation and No. of years of experience	Promoter and Whole Time Director, associated with the company for more than 18 years
Qualification	Bachelor's degree in commerce
Responsibility	Day-to-day operations
Other Directorships	Dweep Enterprises Private Limited

Key Management Persons Name -	Monil Rajendra Shah
Age	28
Designation	Executive Director, 4 years of experience in the company in operational department.
Qualification	Bachelor of Commerce, NISM Series V-A Mutual Fund Distributors.
Responsibility	Overseeing mutual fund schemes and client distribution
Other Directorships	Dweep Enterprises Private Limited

Key Management Persons Name -	Bharti Hitesh Lakhani
Age	57
Designation and No. of years of experience	Promoter, Non-Executive Director, she has been associated with the company for more than 18 years.
Qualification	Bachelor of Commerce degree
Other Directorships	Rikhav BPO & Software Services Private Limited, Virang Enterprises Private Limited

Key Management Persons Name -	Manish Lalitkumar Jain
Age	53
Designation and No. of years of experience	Non-Executive Independent Director, He has been associated with the company for more than 18 years.
Qualification	Bachelor of Commerce degree passed Intermediate Examination from the Institute of Chartered Accountants of India
Responsibility	Maintaining client/investor relations of the company
Other Directorships	Sterling Powergensys Limited, Magic Touch Corporate Advisors Private Limited

Key Management Persons Name -	Tarang Madanjit Mehta
Age	72
Designation and No. of years of experience	Non-Executive Independent Director, 16 years of experience in marketing.
Qualification	Master's degree in business administration (marketing and finance).
Other Directorships	Sterling Powergensys Limited

- The overall management of the company is decent.
- The promoter and management have vast experience and good qualification in the industry.
- There is no evidence of dual chairmanship, which is favourable.
- Anil Kumar Gupta (CFO), aged 54, has done diploma in financial management and holds master's in business administration (MBA). He has overall 16 years of working experience in accounting management.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 2022	FY 2023	FY 2024	Sep-24
Revenue from Operations	3,549.91	4,946.76	10,416.17	9,285.81
Other Income	748.40	505.67	718.09	330.02
Total Income	4,298.31	5,452.43	11,134.26	9,615.83
Expenses				
Employee Benefit Expenses	522.26	876.52	1,739.62	809.66
Finance Cost	336.54	332.14	245.82	276.79
Depreciation and Amortization Expense	31.99	48.87	60.48	32.99
Other expenses	1,195.20	1,732.72	3,851.68	2,204.38
Total Expenses	2,085.99	2,990.25	5,897.60	3,323.82
EBITDA	1,832.45	2,337.52	4,824.87	6,271.77
EBITDA Margin	51.62%	47.25%	46.32%	67.54%
Profit/(Loss) before tax	2,212.32	2,462.18	5,236.66	6,292.01
Tax Expense				
Current tax	373.29	505.53	976.49	1,261.14
Deferred Tax	76.57	-0.53	-4.45	-6.44
Total Tax	449.86	505.00	972.04	1,254.70
Profit/ Loss from continuing operations	1,762.46	1,957.18	4,264.62	5,037.31
Less: Share of minority interest				
Shares of Profit/Loss from Associates	-	-46.91	-	-
Profit/(Loss) for the year	1,762.46	1,910.27	4,264.62	5,037.31
Net Profit Margin	49.65%	38.62%	40.94%	54.25%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 2022	FY 2023	FY 2024	Sep-24
EQUITY AND LIABILITIES				
Share Capital	499.40	1,498.20	1,498.20	1,498.20
Reserves and surplus	7,086.54	7,998.01	12,309.54	17,346.86
Total Shareholder's Fund	7,585.94	9,496.21	13,807.74	18,845.06
Share application money pending allotment				
Minority Interest	-	-	-	-
Total Equity	7,585.94	9,496.21	13,807.74	18,845.06
NON-CURRENT LIABILITIES				
Long-term borrowings	-	-	17.04	15.90
Long-Term Provisions	24.92	38.55	55.12	34.09
Total Non-current liabilities	24.92	38.55	72.16	49.99
CURRENT LIABILITIES				
Financial Liabilities				
Short-term Borrowings	1,506.12	994.27	4,789.07	2,582.16
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	8,159.85	7,218.96	10,521.75	10,915.26
Other Current Liabilities	494.46	548.30	77.45	188.52
Short-term provisions	299.40	475.72	938.66	1,210.51
Total Current liabilities	10,459.83	9,237.25	16,326.93	14,896.45
Total Liabilities	10,484.75	9,275.80	16,399.09	14,946.44
Total Equity and Liabilities	18,070.69	18,772.01	30,206.83	33,791.50

Particulars	FY 2022	FY 2023	FY 2024	Sep-24
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	77.36	191.98	189.87	196.43
Intangible Assets	11.37	16.53	14.33	19.48
Capital Work in Progress	41.70	-	-	-
Non Current Investments	110.83	550.30	1,276.67	815.04
Deferred tax assets (net)	18.44	18.98	23.43	29.87
Long-Term Loans and Advances	7,340.84	7,149.37	13,943.17	16,000.02
Total Non-Current assets	7,600.54	7,927.16	15,447.47	17,060.84
CURRENT ASSETS				
Current Investments	7,093.78	9,214.37	11,916.48	15,601.33
Inventories	-	-	-	-
Trade Receivables	679.48	559.26	419.22	225.99
Cash & Cash equivalents	2,384.86	734.07	2,159.73	694.79
Short term loans and advances	218.41	164.03	91.56	155.86
Other Current Assets	93.62	173.12	172.37	52.69
Total Current assets	10,470.15	10,844.85	14,759.36	16,730.66
Total Assets	18,070.69	18,772.01	30,206.83	33,791.50

Cash Flow Statement	Amt in Lakhs.			
Particulars	FY 2022	FY 2023	FY 2024	Sep-24
Net Cash Flow from Operating Activities	-3,664.22	-886.61	4,693.63	2,329.79
Net Cash Flow from Investing Activities	7,626.90	79.81	-6,833.98	-1,309.90
Net Cash Flow from Financing Activities	-1,768.03	-844.00	3,566.01	-2,484.84

Key Ratios									
Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY25*
Diluted EPS	5.88	6.38	14.23	26.31	EV/EBITDA	3.66	4.17	3.41	0.06
BV per share	151.90	63.38	92.16	81.07	Market Cap / Sales	1.21	2.60	1.24	1.77
Operating Ratios					P/E	14.63	13.48	6.04	3.27
EBITDA Margins	51.62%	47.25%	46.32%	67.54%	Price to Book Value	0.57	1.36	0.93	1.06
PAT Margins	49.65%	38.62%	40.94%	54.25%	Solvency Ratios				
Inventory days	-	-	-	-	Debt / Equity	0.20	0.10	0.35	0.08
Debtor days	70.06	41.38	14.73	32.65	Current Ratio	1.00	1.17	0.90	0.90
Creditor days	-	-	-	-	Quick Ratio	1.00	1.17	0.90	0.90
Return Ratios					Asset Turnover	0.20	0.26	0.34	0.61
RoCE	23.66%	24.00%	34.33%	40.17%	Interest coverage Ratio	5.35	6.89	19.38	22.54
RoE	23.23%	20.12%	30.89%	32.45%					

*Annualised

INTERPRETATION –

1. Revenue has shown exponential growth at over 70% annually, driven by increased client acquisitions and expanded services. However, sustaining such rapid growth in a highly competitive market may prove challenging and require continuous innovation and effective client retention strategies.
2. Net profit and EBITDA have both grown impressively at more than 50% annually, supported by strong operational efficiencies and cost control. Margins have remained high, but maintaining such levels will require a careful balance between scaling operations and preserving profitability in a competitive environment.
3. Cash flow from operations has significantly improved, reflecting better cash generation. However, large investments in growth initiatives may pressure liquidity if returns are delayed.
4. Return ratios highlight efficient capital utilization, but the company faces intense competition, low entry barriers, and a high threat of substitutes, making sustained growth increasingly difficult.
5. The extraordinary revenue, profit, and margin growth seen so far will be challenging to replicate, especially as the market matures and competition intensifies.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Smart Horizon Capital Advisors Private Limited.

As per the offer document, Smart Horizon Capital Advisors Private Limited has not handled any Public Issue in the past.

Recommendation -

Rikhav Securities Limited has been in the industry since 1995 and has vast experience.

The P/E on a post-IPO annualized basis is around 3.27 times which makes it look fairly price.

The company is supported by a well-qualified and experienced promoter group and management team. Their extensive industry knowledge and expertise contribute to the company's overall decent governance and strategic direction, ensuring steady operational efficiency and informed decision-making.

The company has demonstrated exponential growth in revenue, net profit, and EBITDA, driven by efficient operations and strong margins, though sustaining such growth and profitability poses challenges due to market dynamics. Its financial stability is reflected in prudent management of equity and liabilities, despite moderate pressures from high competition and buyer bargaining power.

The financial services sector is highly competitive, driven by rapid digitalization and evolving client demands, where RSL's innovation, customer-centric approach, and market-making expertise provide a decent edge to capitalize on emerging opportunities.

Thus, investors can may **APPLY** to this IPO for long-term basis.

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