Major Research Project on

Draft IPO prospectus: Zerodha

Submitted By

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Under the Guidance of

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CERTIFICATE

This is to certify that **Mr. Shubham Gupta, 2k21/DMBA/121,** has submitted the major research report titled "**Draft IPO prospectus – Zerodha"** under the guidance of Mr. Dhiraj Kumar Pal as a part of Master of Business Administration (MBA) curriculum of Delhi School of Management, New Delhi during the academic year 2022-23.

Mr. Dhiraj Pal	**Dr. Archana Singh**
(Assistant Professor)	Head of Department

DECLARATION

I, **Shubham Gupta** student of Delhi School of Management, Delhi Technological University hereby declare that Project Dissertation report on "**Draft IPO prospectus – Zerodha"** submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) is the original work conducted by me. I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

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ACKNOWLEDGEMENT

I would like to gratefully acknowledge the contribution of all the people who took an active part and provided valuable support to me during the course of this study. Without their guidance, support and valuable suggestions during the research, the outcomes and results would not have been accomplished.

I sincerely thank Mr. Dhiraj Kumar Pal, my faculty mentor at Delhi School of Management who provided valuable suggestions, shared her rich academic experience, and helped me script the exact requisites.

Last but not the least, I would like to thank all my colleagues whose valuable inputs help me complete this research.

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EXECUTIVE SUMMARY

This major research project is made out with the learnings and understanding that I made through the MBA. As, I have done my major in finance, so most of this project is covering the finance part. In this project, I tried my best to cover all the topics on which a company should work while bring its IPO. Launching an IPO is a remarkable step in the journey of a company. When a company going through an IPO, it becomes more recognizable and get better deal from the potential clients through the press release and financial media coverage. As the companies have the obligation to publicly disclose information, listed entities are more transparent than private ones.

One of the unconventional facts about Zerodha that intrigues people is that it managed to join the "Unicorn" club while being bootstrapped and receiving no outside money from investors. Based on its $1 billion self-assessed worth, Zerodha joined the club of unicorns. Zerodha has the highest market share in the broking industry. It has left behind the well-established playersin this industry. So, with the help of this project, I tried to understand the business model of Zerodha and its competitors. I also learned about key risks associated with this business. After that, I will be taking data from the prowessIQ software and will do relative valuation with the peer. In this , we will also try to reach out the possible price at which they should do book building exercise. Once the company gets listed, the shareholding pattern of current investors gets decreased down , so the new shareholding pattern needs to be get calculated.

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1.Introduction

1.1 Overview

A vital part of the nation's financial sector is the Indian broking industry. It describes the system of businesses and people that serve as middlemen between buyers and sellers of securities including stocks, bonds, and commodities. These brokers offer a variety of services, including as trading, portfolio management, and research and analysis. With the introduction of new technology and business models like online trading platforms, mobile trading apps, and robo- advisors, the sector is also going through a considerable transition. Major players in this industry are Zerodha Broking, Upstox, Groww, Angel One, Sharekhan, etc. A privately held firm can become a publicly traded company by first issuing its shares to the general public through a procedure known as an initial public offering (IPO). Drafting an IPO prospectus and filling it with SEBI is a first step in IPO listing. Zerodha is an unlisted company. So, preparing an IPO prospectus for Zerodha is a challenging task.

1.2 Objective of the Study

The objective behind to carry out this research was to cover the following aspects:

- ✓ To study and understand the business model of Zerodha. Zerodha is a major player in broking industry. It is a bootstrap startup which has left its competitor behind rapidly. So, with the help of technology, this company has changed the entire structure of the industry.
- ✓ To identify the risks associated with that kind of business. So, that, in future if any new player emerges in this industry, how it will change the course of business.
- ✓ When any company brings its IPO, the most challenging question in front of them is how much the promotors dilute their stake via IPO.
- ✓ To analyze the financial statements and reach to a particular price where the investors are ready to do fixed price offer or book building price offer.

- ✓ While drafting this IPO prospectus, the objectives which needs to be fulfilled from company’s point of view are following:

  The offer's goals are to:

  1. Realise the advantages of being listed on stock exchanges.
  2. The listed companies get a benefit to strengthen their company's reputation and give current shareholders access to liquidity.
  3. According to our company, the planned listing will provide Indian equity shares access to a public market.

1.3 Know about IPO

A firm that participates in an IPO is moving forward significantly since it provides the opportunity for considerable cash raising. As a result, the company's potential for expansion and growth is increased. In addition to it, the transparency and trustworthiness of the share leads to get better terms when a company opts the path to borrow money. The following implications of an IPO are listed since it is a significant turning point in a company's history:

- ➢ It can be a method to arrange finance if it is for specified end use.
- ➢ It offers a new ownership opportunity for institutions, high net worth investors and retail investors to board the company’s success story.
- ➢ It may be a liquidity event since it provides an exit path for the company's present and potential investors.
- ➢ It help the company to realize its market value which gets calculated by the product of no of its issued shares by the current market price.
- ➢ The firm's market capitalization can operate as both an enabler and a disincentive to future fund raising via the issuing of more shares in the company.

1.4 <u>Important Stages in an IPO</u>

1. **IPO Blueprint Stage -** The company decides to list, creates an internal team to oversee the IPO, establishes Lead Manager With the help of the Lead Manager, Auditors, Legal Advisors, and important Board Members, discussions are undertaken to evaluate the readiness for the IPO. The Issue Blueprint is also discussed. Time frames are established and action plans and activity charts are created. The measures necessary to accomplish the plan of action include determining the necessary statutory requirements, important approvals, and compliances.

2. **Pre – Issue Stage-** The company has a choice to opt out between fixed pricing or a book-built offer. Issue Determined are the pricing benchmark, tool, and structure. Issue The Lead Manager finalises the budget and marketing strategy after consulting with the Issuer. The appointment of other organisations, including an underwriting syndicate, bankers, legal counsel, registrars, a public relations firm, etc., is finished. Pre-issue due diligence has been carried out, and DRHP has been created, authorised, and submitted to SEBI.

3. **Post-issue Process -** The director of that stock exchange, along with the post-issue LM and the registrar, are responsible for determining the basis of allocation in a fair and appropriate way. According to the stipulated method and on a proportionate basis based on the oversubscription obtained for the issue, the basis of allotment is determined.

2. Literature Overview

2.1 Introduction of Zerodha

The company's name, Zerodha, is an aim of their business. It is a mix of two words: zero and rodha (which means barrier), i.e. breaking down all cost, support, and technical obstacles that traders and investors confront in India. Overall, Zerodha is an online discount brokerage firm that attempts to reduce expenses for its clients, whichis critical in determining the long-term profitability of traders trading in the country's. Today, Zerodha's revolutionary pricing strategies and in-house technologies have propelled them to the top spot in terms of active retail clients in India. Furthermore, they conduct a project to assist retail traders and investors.

Products-

- **Kite-** Flagship trading platform featuring streaming market data, powerful charting, an appealing user interface, and more. It is the greatest trading platform in India for active traders. Zerodha Kite online and mobile apps are available for both Android and iOS.
- **Console-** The Zerodha account's main dashboard. In-depth analyses and visualisations provide insights on trades and investments. It generates sophisticated cloud-based market notifications for stocks, futures, and options, among other things, for free.
- **Coin-** Enjoy the investment experience on Android and iOS client devices.It is India's first direct investing mutual fund product offered by a stock broker, withthe potential to save up to 28 lacs over a 25-year period.
- **Varsity mobile-** A comprehensive, easily understood compilation of stock market teachings with examples. To facilitate learning while on the go, the content is divided into manageable cards.

2.2 Business Model*: -*

Zerodha's business plan is based on a 'low margin and high-volume approach.' Because Zerodha costs extremely little for transactions, often high. This chargecollection of lessersums from a greater number of clients generatesa substantial amountof money for it. Another aspect that contributes to the company's strong profit ratios is its operating costs.

Revenue and Profit

Over the previous three fiscal years, the company's profits also climbed. Additionally, the company's active users increased by about two timesannually. Along with a rise in operational income, Zerodha's overall costs also rose. In FY20, it was worth Rs. 517.70 crore, and in FY21, it was worth Rs. 1260.20 crore.

Revenue Breakdown

According to NSE statistics released on February 14, 2022, Zerodha's client base started off with 16 lakh customers overall before growing to 33.91 lakhs. The business claims of being a unicorn in June 2020 without ever seeking investment from any parties, depending only on self-funding. Additionally, Zerodha is credited for purchasing ESOPs for approximately 4X its book value, which occurred just around the time the stockbroking business considered itself to be a unicorn.As of November 2021, the firm is presently valued at over $2 billion.

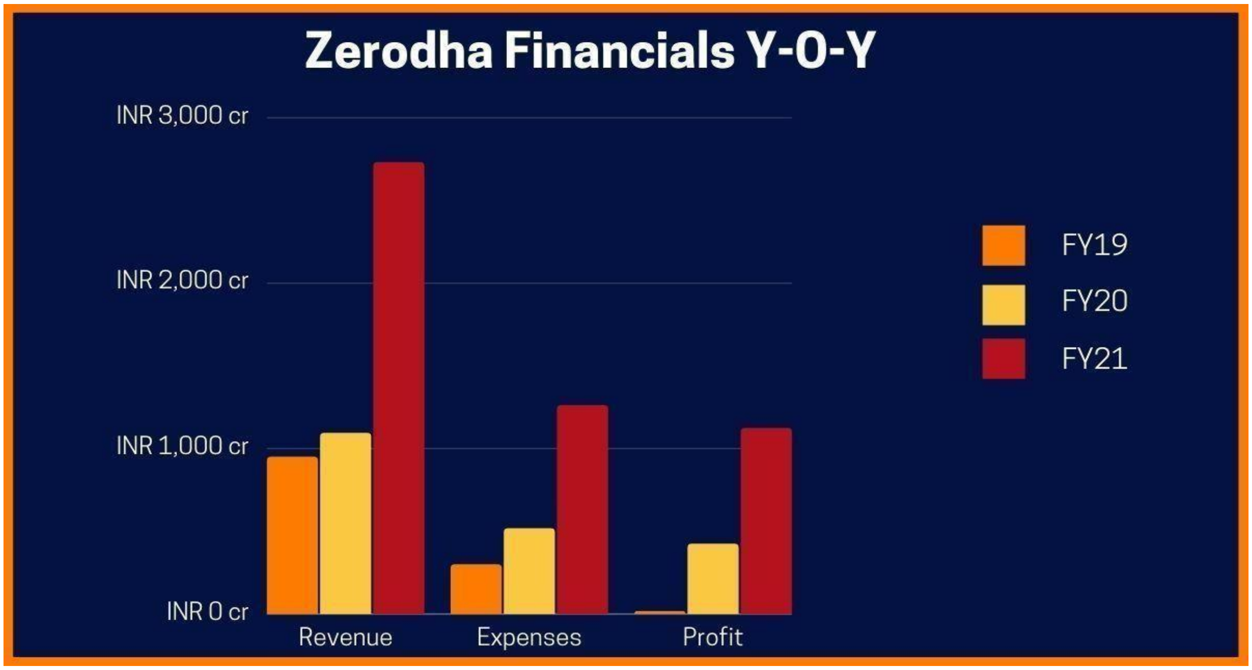

Fig -2.1 (source https://startuptalky.com/zerodha-trading-services/)

Peers

Zerodha Broking operates in a market with many players and heavy competition. Zerodha 16% followed by ICICI Securities and RKSV Securities. The chart below shows market share of players based on active clients on NSE as at the end of Q1FY22.

Peers of Zerodha are:-

- ICICI
- UPSTOX
- Angel
- Kotak

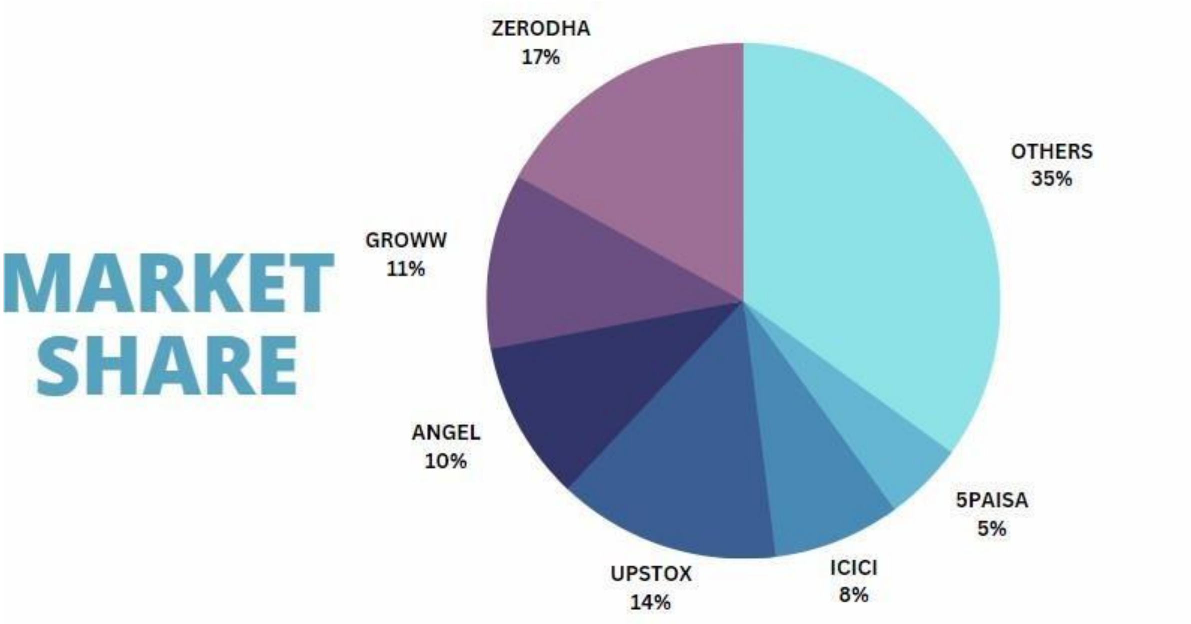

Fig – 2.2 (source https://tradebrains.in/)

<u>Industry overview</u>

Global Economy

According to World economic outlook (International Monetary Fund) 2022, “due to the widespread Covid-19 epidemic in CY2020, the worldwide economy shrank by 3.1%. However, it is anticipated to expand by 5.9% in CY2021 before slowing to a growth rate of 4.9% in CY2022, thanks to a campaign for vaccinations and the restart of economic activity when pandemic-related restrictions are lifted globally. Though the effects vary by country, the fundamental effect of the 2020 negative growth rate has led to better growth in 2021.Nevertheless, the effects vary across the board in 2021”.

Exhibit 1: Global Growth Outlook Projections (in %)

Country/Group	2020	2021E	2022E
World Output	**–3.1**	**5.9**	**4.9**
Advanced Economies	–4.5	5.2	4.5
United States	**–3.4**	**6.0**	**5.2**
Euro Area	–6.3	5.0	4.3
Japan	**–4.6**	**2.4**	**3.2**
United Kingdom	–9.8	6.8	5.0
Canada	**–5.3**	**5.7**	**4.9**
Remaining Advanced Economies	–1.9	4.6	3.7
Developing Economies	**–2.1**	**6.4**	**5.1**
Emerging and Developing Asia	–0.8	7.2	6.3
China	**2.3**	**8.0**	**5.6**
India*	–7.3	9.5	8.5
ASEAN**	**–3.4**	**2.9**	**5.8**
Emerging and Developing Europe	–2.0	6.0	3.6
Latin America and the Caribbean	**–7.0**	**6.3**	**3.0**
Middle East and Central Asia	–2.8	4.1	4.1
Sub-Saharan Africa	**–1.7**	**3.7**	**3.8**

Fig – 2.3 (source https://www.imf.org/)

2.3 Types of brokerages in India

Lean and adaptive forms of technology-driven brokerage supersede traditional models

Despite being a relatively new concept in our country, flat fee-based brokerages have swiftly risen to the top of the market owing to the services they provide to traders and investors who utilise both mobile applications and terminals. Retail investor participation is rising, which is causing trade turnover to rise in the industry. This is made possible by the ease of doing business and the lightning-fast registration and account creation procedures shared by both types of brokers. As the usefulness of technology increases, customers are offered an increasing number of options for information acquisition and active decision-making based on information that is readily available. The systems have become faster and more reliable while also changing continually. Their outdated IT architecture has given way to modern agile, adaptable,andleanarchitectures.

Brokerages' ability to scale is improved by digital trading platforms

As the domestic brokerage market develops, different brokers set themselves apart from one another by providing better services to their clients, including reduced fees, less maintenance costs, quicker account opening turnaround times, greater security features, quicker access to systems, etc. Additionally, the advancement of technology has aided their rapid penetration of their target market. They can scale it easily, which lowers their operational expenses per client and boosts profitability. Live TV, sophisticated research reports, push alerts, increased price discovery settings, and other features that complement mobile-based trading improve the user experience for their clients and increase customer retention. Due to the scalability of the infrastructure created by contemporary platforms, brokers have significantly reduced the variable operational cost per client. The same systems that serve repeat customers may expand to accommodate several additional users. This enables companies to set cheaper prices for their products and, in many circumstances, impose fixed transaction-based costs or perhaps impose no fees at all for transactions involving deliveries.

Discount brokers have profited substantially in terms of continued customer growth, especially over the past year. Market share for Zerodha increased from 13% in January 2017 to 19% in January 2018. Similar to this, in justa year, RKSV Sec (Upstox) had a substantial increase in market share, moving from 5% to 11.3%.Discount brokers have undoubtedly profited from this market's early mover advantage. We also believe that firms have attracted more clients, particularly those from the New to Market, thanks to digitization, user-friendly software and interfaces, and a service-oriented culture. Numerous traditional brokerages, like Sharekhan, Kotak Sec, and others, were inspired by this to create theirown discount schemes.

According to Similarweb statistics on monthly visitors, chittorgarh.com would be the leading competitor of zerodha.com in August 2022 with 2.7M visits. Groww.in is the second-most similar website to zerodha.com with 19.2M visitors in August 2022, and nseindia.com completes the top 3 with 17.4M.

Change in mindset

Companies like Zerodha now have greater chances as a result of individual investors in India gradually but surely diversifying their portfolios away from conventional secure products like bank fixed deposits and towards more complex futures and options. Only 1% of Indians and 25% of Americans, respectively, hold demat accounts. This figure will increase. Due to the millions of people who have poured money into stock trading during the epidemic, India's youth demographic is fueling a boom in the country's investing scene.

Overview of Industry

- The bulk of the non-banking financial corporations (NBFCs) and capital markets in India (asset management, broking, wealth management, investment banking, depository enterprises). Recently, the market regulator has also approved the formation of new businesses like payments banks, increasing the number of organisations operating in the sector(*SEBI | Anand Rathi Wealth Limited*, n.d.).

- Companies in the financial services industry have boosted their investment in information technology (IT) as a result of the widespread use of mobile phones, the adoption of technologies like cloud computing, and growing interconnectivity in order to better serve their end- customers.The development of the financial sector is influenced by a number of variables, including the rise in financial inclusion, higher financial asset penetration, increased participation in stock markets, and increased technological use(*SEBI | Anand Rathi Wealth Limited*, n.d.).

- A Increased variety of reasons, such as increased investor knowledge of the benefits of investing in equity markets and the development of investing methodologies like systematic investment plans (SIP), have contributed to an increase in domestic individual investor participation in the Indian mutual fund industry. The AUM of the Indian mutual fund sector has grown at a CAGR of 15.5% over the last five years, with equities AUM growing at a CAGR of 17.3%(*SEBI | Anand Rathi Wealth Limited*, n.d.).

- The Indian equity markets have also managed to maintain a healthy balance between domestic institutional investors, primarily mutual funds, and foreign portfolio investors over the past five years. This has significantly reduced the market's reliance on FPI inflows and increased the stability of the Indian markets.

- The Indian equity market is growing in terms of the number of listed companies and market capitalization, giving brokerage firms more room to manoeuvre. On the NSE and BSE, there were respectively 1942 and 5461 listed businesses in FY20. The market's sophisticated products segment is expanding quickly, as evidenced by the sharp increase in derivatives trading.

  - Given the securities market's strong long-term structural growth tendency, depository firms (which oversee investor demat accounts) have more opportunities than before. The largest number of new bank accounts established in 10 years, according to the market regulator, was 4.9 million in FY20. Due to the need that unlisted firms have their shares dematerialized if they issue or transfer shares, depository enterprises now have more room to develop. 60,000 businesses are participating in the offer.

- Recent recommendations from the Internal Working Group (IWG) of the RBI regarding NBFCs state that large NBFCs with an asset size of Rs. 500 billion, including those owned by large corporate houses, may be permitted to convert to private banks after operating for 10 years and satisfying compliance and due diligence requirements. Three years of experience as a payments bank may be deemed adequate for payments banks planning to change their status to a small finance bank.
- Additionally, the RBI has agreed to establish rules for NBFC dividend distribution. There are now no regulations in force, unlike banks. However, the RBI has now ruled that certain categories of NBFCs would be permitted to declare dividends in accordance with a matrix of criteria and subject to several restrictions.

The Financial advisors provide business or individual clients with financial assistance. The brokerage sector in India is shifting from a transaction-based to a fee-based one, including services like wealth management and investment consulting. In addition to advising services, a greater focus is being placed on fund-based operations, such as margin finance and lending against shares, which enables brokers to generate stable profits. To assist clients in reaching their goals, financial brokers have improved their marketing skills. They provide a variety of goods and services that improve their rapport with customers.

Impact of measures taken in the Union Budget 2022-23

Reduction in corporate tax rates to boost capital base of financial institutions

The finance minister announced the *Taxation Laws (Amendment) Ordinance 2019 on September 20, 2019 to make changes to the Income Tax Act, 1961*, giving domestic companies the option to pay income tax at a rate of 22%, provided they do not take advantage of any exemptions or incentives. For these businesses, the effective tax rate will be 25.17%, including surcharge and cess. Additionally, such businesses are exempt from paying the minimal alternative tax. They must pay tax at a rate of 22% after exercising the option, and once it has been exercised, the option cannot be later revoked. Additionally, the minimum alternative tax rate has been lowered from 18.5% to 15% in order to give relief to businesses that continue to claim exemptions. Additionally, capital gains on the sale of any security, including derivatives, held by foreign portfolio investors, shall not be subject to the higher surcharge. Also, to provide relief to listed companies that have announced share buyback before July 5, 2019, tax on the buyback of shares shall not be charged asper these latest amendments.

Reduction in corporate tax rates to boost capital base of financial institutions

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Digitalisation: Catalyst for the next growth cycle

According to *SEBI | Anand Rathi Wealth Limited. (51249)* "Technology also gels well with India's demographic structure, where the median age is less than 30 years and these youth segments are technologically savvy and at ease with using technology to conduct the entire gamut of financial transactions. With increase in smartphone penetration and faster data speeds, there is a push from the consumers' side for digitalisation, as they are increasingly finding these digital platforms more convenient. Digitalisation will help improve efficiency and optimize cost, and players with better mobile and digital platforms will draw more customers and will emerge as winners in the long term".

Mobile and internet penetration In India, the change from a cash-dominated to a digital economy has been made possible by increased cellphone penetration, better connection, quicker and less expensive internet speeds, reinforced by Aadhaar and bank account penetration. According to CRISIL Research, 76% of the country's population would have access to the internet by FY 2025, when there will be more than 1000 million active internet users.

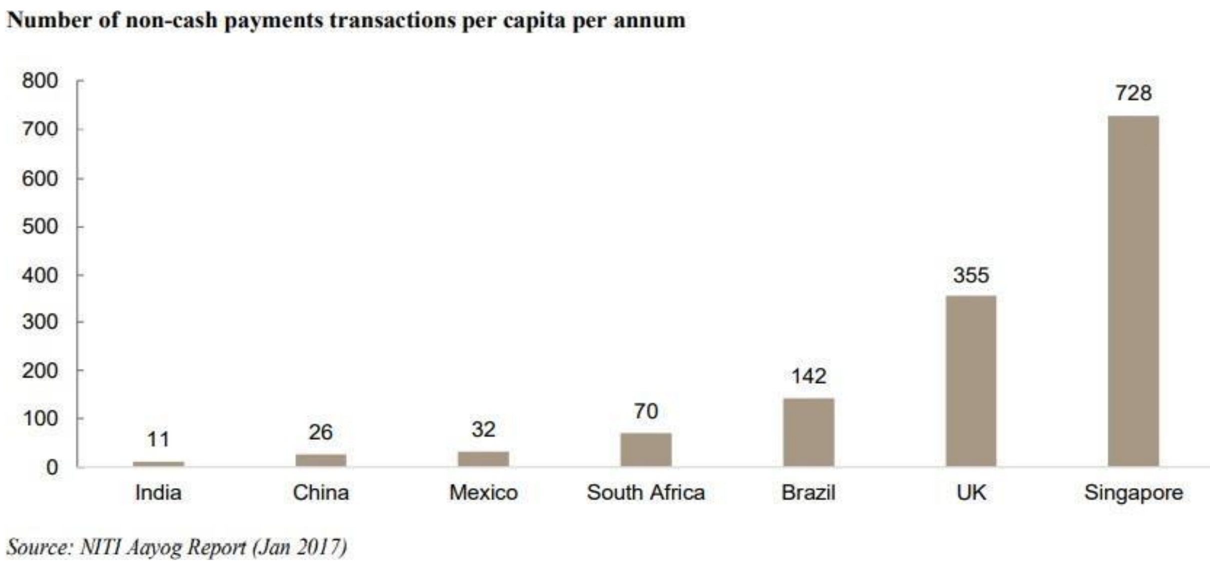

Fig – 2.4 (source https://niti.gov.in/)

In the upcoming years, CRISIL Research anticipates a significant growth in the percentage of mobile banking and prepaid instruments. Additionally, it is anticipated that better broadband connectivity, low levels of adoption of digital payments, and aggressive government actions would accelerate the country's digitalization and move it closer to a cashless economy. People will feel more at ease handling their money digitally and engaging in mobile trade as a result.India's development narration is still exciting. Even Nevertheless, there are dangers associated with the anticipated economic expansion. Political unrest, a steep rise in interest rates, slower-than-anticipated private investment, an inability to control the budget deficit, geopolitical turmoil, a major increase in crude oil prices,

<u>Market segment insights</u>

Based on NSE active clients, full-servicebrokers held largest market share (58%) of the total sector in FY 2020. The income earned by full-service brokers grew as a result transition from anoffline an bricks mortar mode. Full-service brokers have been growing slowly in India, meanwhile, since top firms are losing significant market share to cheap brokers.

Key growth drivers of the market

- Technological innovations -is a significant driver for the increasing participation of investors in equity markets. The pandemic resulted in a significant meltdown in the stock market. Improved financial awareness led to a 130% growth in Demat account openings. About 6.3 Mn accounts were opened in the first half of FY 2021. Post demonetization, fintech companies have played a significant role in the growth of the brokerage market, backed by increased smartphone users and high internet speed with low data costs. Retail investors use mobile-based trading as they primarily invest in convenient and user-friendly apps with secure platforms(Markets, 2021).

- Brokerage firms in India provide clients with access to international investing services that enable them to purchase blue-chip companies in the US. One of the main factors for businesses to offer these services is the desire for portfolio diversity from investors. International agreements amongst brokerage companies show there is a high demand for these services(Markets, 2021).

When compared to conventional investing instruments, they do not know how to invest in them to get large returns. The majority of individuals are also uninformed about fundamental financial ideas including asset allocation, the advantages of diversification, and the reward (return) to variability (risk) ratio.

When it comes to encouraging public engagement in the financial markets, India still has a long way to go. Only 88 lakh of the 130 crore individuals in the country, of whom 35% are thought to be members of the working class, presently have a demat account. Since a demat account is a must for stock market trading and investment, it is reasonable to conclude that this represents the whole population of stock market participants.

Number of issues through primary market equities

Rules and Regulations

As per Section 65(93) of Finance Act, 1994 "Stock-broker" means a person, who has either made an application for registration or is registered as a stock broker, in accordance with the rules and regulations made under the Securities and Exchange Board of India Act, 1992. A retail brokerage serves only individual investors, whereas an institutional brokerage has the capacity to handle large or- der flows from institutional investors such as mutual funds (Basha. V, 2014).

The SEBI has been set-up to ensure that the stock ex- changes discharge their self-regulatory role properly. To prevent malpractices in trading and to protect the investors, the SEBI has assumed the monitoring function, requiring brokers to be registered and stock exchanges to report on their activities. Ever since the SEBI began to monitor brokers, stock brokering has emerged as a professional advisory service in tune with requirements of a highly mature, sophisticated, screen-based, ring less, automated exchanges in the country in sharp contrast to the hitherto prevailing traditional, out-dated, closed-character, as inherited family business (*October_2014_1492780955_43.Pdf*, n.d.).

Registered stock broker have to abide by the code of con- duct with respect to conduct of dealings, protection of clients' interests, obligation of completing the settlement of transactions with stock brokers, no advertisement of his business publicly unless permitted by the stock exchange, no resort of unfair means to induce the clients from other stock brokers and no negligence/failure/refusal to submit the required returns and not make any false statement on any returns submitted to the SEBI and stock exchanges(*October_2014_1492780955_43.Pdf*, n.d.).

Scaling up digital onboarding to meet regulatory changes

Every one of the 25,000 account opening requests that Zerodha gets daily is subjected to the Know-Your-Customer (KYC) procedure mandated by SEBI in order to reduce fraudulent activities like identity theft and money laundering. Customers' identities must be verified using KYC papers, such as their Permanent Account Numbers (PAN) cards. Around 2,500 accounts were opened every day prior to the pandemic; today, that number is closer to 15,000 accounts.Zerodha introduced Vision AI in April 2020 to streamline the KYC procedure. This technology examines scanned PAN card images that customers provide as identification documentsThe technology

Business Risk:-

1. ***Potential Impact of the outbreak of Covid-19/ any Communicable Diseases on our business and its operations.***

To prevent the spread of any such diseases, lead the several bans by government which adversely affects the workforces, consumer sentiment, economies and financial markets around the world and has led to uncertainty in the global economy and significant volatility in global financial markets.

In comparison to the profit of Rs 424 crore recorded during FY20, the firm reported yearly earnings of Rs 1,122.3 crore for the fiscal year that ended in March 2021, representing a 2.6x gain. The firm crosses Rs 1,000 crore in earnings in a fiscal year, making Zerodha the first pure-play consumer internet company in India to do so. The full impact of the COVID-19 pandemic, or any other pandemic or significant public health emergency, on our operations, business, and financial results will depend on a few dynamic variables that we may not be able to predict with any degree of accuracy, including the breadth, severity, and length of the outbreak.

2. ***Market Conditions in India and their effect on the business and its operations***

The political and economic climate in India and other nations has a significant impact on our operations.

The trend towards higher financial savings may slow down or reverse, our labor expenses may rise, and the sales of many of our products and services may drop if inflation or real interest rates rise considerably.

3. We operate in a highly regulated environment, which is subject to change, and existing and new laws, regulations and government policies affecting the sectors in which we operate could adversely affect our business, financial condition and results of operations. (Because, the laws and regulations governing advisory and distribution services relating to financial products have become increasingly complex and cover a wide variety of issues, including registration, disclosures,

conflicts and insider trading.)

4. Despite the fact that banks have made progress, managing operational risk is still difficult for a variety of reasons. Operational risk is more complicated and involves dozens of different risk categories when compared to financial risk such as credit or market risk. Second, operational risk management calls for openness and monitoring of nearly all organizational procedures and commercial operations. Third, there has been some wiggle room in the terminology used to distinguish between the tasks of the operational-risk function and other oversight units, including compliance, financial crime, cyber risk, and IT risk.

5. Any increase in or realization of our contingent liabilities and commitments could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.
6. We rely on the Indian exchanges for a significant portion of our business and Our financial performance is subject to interest rate risk, and an inability to manage our interest rate risk may have a material adverse effect on our business prospects, financial condition and results of operation.
7. Even though banks have made progress, managing operational risk is still difficult for a variety of reasons. Operational risk is more complicated and involves dozens of different risk categories when compared to financial risk such as credit or market risk. Second, operational risk management calls for openness and monitoring of nearly all organizational procedures and commercial operations. Third, there has been some wiggle room in the terminology used to distinguish between the tasks of the operational-risk function and other oversight units, including compliance, financial crime, cyber risk, and IT risk.
8. Participants who work as stock brokers or depositories are required to disclose any cyberattacks, threats, or breaches they may have encountered within six hours of becoming aware of them. They must notify the exchanges, depositories, and regulator of such situations within the allotted period. According to a circular, the event will also be reported to the Indian Computer Emergency Response team (CERT-In) in compliance with the rules CERT-In has periodically established.

External Risks :-

1. ***Financial difficulty and other problems relating to financial institutions in India could have an adverse effect on our business, and its operations.***

Any difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect the business. In Financial Year 2011, Indian government agencies-initiated proceedings against certain financial institutions, alleging bribery in the loans and investment approval process, which impacted market sentiment. Even, there are some of the factors which are beyond the control of management such as changes in investment patterns, budget announcements, policy announcements, political changes, changes in interest rates, inadequate monsoons, health pandemics, terrorist attacks, natural calamities and other acts of violence or war, etc (*Angel Broking Limited Red Herring Prospectus*, n.d.).

2. ***The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial marketsand our business.***

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war may adversely affect the Indian securities markets. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares(*Angel Broking Limited Red Herring Prospectus*, n.d.).

1. ***Any adverse change in India's sovereign credit rating by an international rating agency could adversely affect our business and results of operations.***

Going forward, the sovereign ratings outlook will remain dependent on whether the Government is able to transition the economy into a high-growth environment, as well as exercise adequate fiscal restraint. A downgrading of India's credit ratings may occur, for example, upon a change of government tax or fiscal policy, which are outside our control. Any adverse change in India's credit ratings by international rating agencies may adversely impact the Indian economy. This could have an adverse effect on our business, results of operations and financial performance and the price of our Equity Shares(*Angel Broking Limited Red Herring Prospectus*, n.d.).

2. ***If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect our financial statements for the current and future years, which may have a material adverse effect on our financial position, business, and results of operations.***

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes may adversely affect our business, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy. We cannot predict whether any tax laws or regulations impacting our products will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on our business, financial condition, and results of operations(*Angel Broking Limited Red Herring Prospectus*, n.d.).

Risks Relating to the Equity Shares :-

1. ***The trading volume and market price of the Equity Shares may be volatile following the Offer.***

The market price of the Equity Shares may fluctuate as a result of, among other things, the following factors, some of which are beyond our control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by research
analysts and investors;
- a change in research analysts' recommendations;
- announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- new laws and government regulations applicable to the industries we operate in;
- additions or departures of key management personnel;
- changes in interest rates

2. ***There is no guarantee that our Equity Shares will be listed on the Stock Exchanges in a timely manner or at all and if they are listed you may not be able to immediately sell the Equity Shares you purchased in the Offer.***

In accordance with Indian law and practice, permission for listing and trading of our Equity Shares will not be granted until after certain actions have been completed in relation to this Offer and until Allotment of Equity Shares pursuant to this Offer. There can be no guarantee that these actions will be completed in a timely manner or at all and as a result our Equity Shares may not be listed on the Stock Exchanges in a timely manner or at all. In accordance with the current regulations and circulars issued by SEBI, our Equity Shares are required to be listed on the Stock Exchanges within such time as mandated under UPI Circulars, subject to any change in the prescribed timeline in this regard. However, we cannot assure you that the trading in our Equity Shares will commence in a timely manner, in accordance with timelines prescribed under the UPI Circulars, or at all. Any failure or delay in obtaining final listing and trading approvals may restrict your ability to dispose of your Equity Shares (*Angel Broking Limited Red Herring Prospectus*, n.d.).

3. ***Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major Shareholders may adversely affect the trading price of the Equity Shares.***

After the completion of the Offer, our Promoters and members of the Promoter Group will own, directly and indirectly, approximately 44.56% of our outstanding Equity Shares. Any future issuances of Equity Shares (including under the ESOP 2018), including to comply with the minimum public shareholding norms applicable to listed companies in India, may lead to the dilution of your shareholding in our Company, adversely affect the trading price of the Equity Shares and other adverse consequences, including difficulty in raising capital through offering of the Equity Shares or incurring additional debt. Further, any future equity issuances by us or sales of our Equity Shares by our Promoters or other major Shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. There can be no assurance that our Company will not issue Equity Shares, or that our significant Shareholders will not dispose of, pledge or encumber their Equity Shares, in the future (*Angel Broking Limited Red Herring Prospectus*, n.d.).

4. ***Fluctuations in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares.***

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time period for completing conversion, or repatriating the proceeds from dividends on, or sale of the Equity Shares, may reduce the net proceeds received by overseas Bidders. Further, the period for such repatriation may also be affected by various factors outside the Bidders' control, such as receipt of any regulatory approvals required for repatriation of funds outside India(*Angel Broking Limited Red Herring Prospectus*, n.d.).

(ii) Shareholding of Promoters

Sl. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year.
		No. of Shares	% of Total Shares of the Company	% of shares Pledged/ encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of shares Pledged/ encumbered to total shares	
1	Nithin Kamath	3,09,10,000	30.91	-	3,09,10,000	30.91	-	-
2	Nikhil Kamath	2,89,10,000	28.91	-	2,89,10,000	28.91	-	-
3	Seema Patil	99,70,000	9.97	-	99,70,000	9.97	-	-
4	Revathi Kamath	1,00,000	0.1	-	1,00,000	0.1	-	-
5	Udyavara Raghuram Kamath	1,00,000	0.1	-	1,00,000	0.1	-	-
6	Austin Global Ventures Private Limited	2,99,10,000	29.91	-	2,99,10,000	29.91	-	-
7	Straddle Capital Private Limited	1,00,000	0.1	-	1,00,000	0.1	-	-

iii) Change in Promoter's Shareholding

	Shareholding at the Beginning of the year		Cumulative Shareholding during the yea	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
At the Beginning of the year	10,00,00,000	100%		
Changes during the year	No change during the year			
At the end of the year	10,00,00,000	100%	10,00,00,000	100%

Fig -2.5 (source https://prowessIQ.com/Zerodha)

Offer Expenses

The total Offer related expenses are estimated to be approximately ₹ (.) million. The Offer related expenses comprise listing fee, underwriting fee, selling commission and brokerage, fee payable to the BRLMs, legal counsels, Registrar to the Offer, Sponsor Bank, Bankers to the Offer including processing fee to the SCSBs for processing ASBA Forms submitted by ASBA Bidders procured by the Designated Intermediaries and submitted to SCSBs, brokerage and selling commission payable to Registered Brokers, RTAs and CDPs, printing and stationery expenses, advertising and marketing expenses and all other incidental expenses for listing the Equity Shares on the Stock Exchanges. The Selling Shareholders shall reimburse the Company for the Offer expenses incurred by the Company on behalf of the Selling Shareholders, upon the successful 111 completion of the Offer(*Angel Broking Limited Red Herring Prospectus*, n.d.).

TERMS OF THE OFFER

The Equity Shares being Allotted pursuant to this Offer shall be subject to the provisions of the Companies Act, the SEBI ICDR Regulations, SCRA, SCRR, the Memorandum of Association and Articles of Association, the terms of this Red Herring Prospectus, the Prospectus, the abridged prospectus, Bid cum Application Form, the Revision Form, the CA Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advices and other documents or certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer(*Angel Broking Limited Red Herring Prospectus*, n.d.).

Offer expenses

The listing fees shall be borne by our Company. Other Offer-related expenses shall be borne by the Selling Shareholders in proportion of the Equity Shares to be offered by each of the Selling Shareholders. Provided that all Offer-related expenses shall initially be borne by our Company. Upon successful completion of the Offer, the Selling Shareholders shall reimburse our Company their proportionate share of the Offer-related expenses (*Angel Broking Limited Red Herring Prospectus*, n.d.).

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our Equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies Act;

2.4 Offer Structure

In this IPO, 214 million equity shares will be offered out of which 100 million equity shares will be as a fresh issue and 114 million equity shares will be an offer for sale. The Offer will constitute [●] % of the post-Offer paid-up Equity Share capital of our Company. Through the Book Building Process, the Offer is being raised.

Particulars	QIBs[1]	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation* [2]	Not more than [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer size available for Allotment/ allocation	Not more than 50.00% of the Offer size shall be available for allocation to QIB Bidders. However, up to 5.00% of the Net QIB Portion will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining balance QIB Portion. Any unsubscribed portion in the Mutual Fund Portion will be added to the Net QIB Portion.	Not less than 15.00% of the Offer, or the Offer less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation.	Not less than 35.00% of the Offer, or the Offer less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation
Basis of Allotment/ allocation if respective category is oversubscribed*	Proportionate as follows (excluding the Anchor Investor Portion): (a). Up to [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and (b). [●] Equity Shares shall be Allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above	Proportionate	The allotment to each Retail Individual Investor shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, shall be allotted on a
Mode of Bid	ASBA only other than for Anchor Investors (excluding the UPI Mechanism)[3]	ASBA only	ASBA only
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds ₹200,000	Such number of Equity Shares that the Bid Amount exceeds ₹200,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Offer, subject to limits applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Offer (excluding the QIB Portion), subject to	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹ 200,000

Particulars	QIBs[1]	Non-Institutional Bidders	Retail Individual Bidders
		limits applicable to each Bidder	
Mode of Allotment	Compulsorily in dematerialised form		
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter		
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter		
Trading Lot	One Equity Share		
Who can apply[4]	Mutual Funds, VCFs, AIFs, FVCIs, FPIs (other than individuals, corporate bodies and family offices), public financial institution as defined in Section 2(72) of the Companies Act, 2013, a scheduled commercial bank, multilateral and bilateral development financial institution, state industrial development corporation, insurance company registered with the Insurance Regulatory and Development Authority, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million, National Investment Fund set up by the Government of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India and NBFC-SI.	Eligible NRIs, Resident Indian individuals, HUFs (in the name of the Karta), companies, corporate bodies, scientific institutions, societies, trusts, and FPIs who are individuals, corporate bodies and family offices.	Resident Indian individuals, HUFs (in the name of the Karta) and Eligible NRIs
Terms of Payment	**In case of Anchor Investors**: Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids[5] **In case of all other Bidders**: Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder (other than Anchor Investors) that is specified in the ASBA Form at the time of submission of the ASBA Form or through the UPI mechanism (only for RIIs).		

Fig – 2.6

2.5 Financial Statements

Balance Sheet

Zerodha Broking Ltd. Balance Sheet Summary : Mar 2019 - Mar 2021 : Non-Annualised : Rs. Million	Mar 2019 7 mths IGAAP	Mar 2020 12 mths INDAS	Mar 2021 12 mths INDAS
Total liabilities	29,592.0	54,067.5	137,368.8
Total Capital	1,000.0	1,000.0	1,000.0
Paid up equity capital	1,000.0	1,000.0	1,000.0
Paid up preference capital			
Share appln money & suspense accoun			
Reserves and funds	183.2	4,423.7	15,644.0
Free reserves	183.2	4,423.7	15,644.0
General reserves		4,423.7	15,644.0
Balance as per profit & loss account	183.2	0.0	0.0
Specific reserves			
Security premium reserves (net of de			
Capital reserves (incl grants and sub			
Capital redemption reserves			
Debenture and bond redemption rese			
Long term borrowings excl current porti			
Long term borrowings incl current porti			
From banks			
From financial institutions			
Syndicated across banks & institution			
Debentures and bonds			
Loans from promoters, directors & sh			
Less: current portion of long term borr			
Deferred tax liability		16.7	
Other long term liabilities			
Long term provisions		574.1	1,386.0

Current liabilities & provisions	28,408.8	48,053.0	119,338.8
Short term borrowings	2,989.3	115.8	93.3
Short term trade payables and accept	25,177.0	44,804.4	118,068.5
Total assets	29,592.0	54,067.5	137,368.8
Net fixed assets	71.5	173.3	649.8
Intangible assets, net			510.2
Land and buildings, net	2.9	118.3	91.1
Plant, machinery, computers & electric	51.8	17.5	18.5
Capital work-in-progress			
Net pre-operative exp pending allocatio			
Long term investments	112.4	879.4	3,569.9
Long term investments in group cos			
Long term investments in non group c	112.4	879.4	3,569.9
Long term loans & advances	458.3	17.1	16.5
Long term loans and advances by finan			
Deferred tax assets			75.0
Other long term assets			
Current assets and loans & advances	28,949.8	52,997.7	133,057.6
Cash & bank balance	28,859.3	52,696.3	131,753.7
Short term investments			
Short term loans & advances		245.4	136.9
Short term loans and advances by finan			

Profit and Loss Statement

Income & Expenditure Summary : Mar 2019 - Mar 2021 : Non-Annualised : Rs. Million	Mar 2019 7 mths IGAAP	Mar 2020 12 mths INDAS	Mar 2021 12 mths INDAS
Total income	336.8	10,940.7	27,296.0
Income from financial services	207.9	10,940.7	27,296.0
Fee based financial services income	207.9	7,184.0	22,525.2
Fund based financial services income		3,756.7	4,770.8
Interest income		2,200.4	4,005.7
Dividends		0.1	16.0
Income from treasury operations		1,556.2	749.1
Income from non-financial services			
Other income	128.9		
Prior period and extraordinary income			
Total expenses	153.6	6,701.1	16,072.9
Operating expenses	86.2	5,125.3	12,435.3
Financial services expenses	1.9	257.7	8.5
Fee based financial services expens		0.2	0.2
Fund based financial services expen	1.9	257.5	8.3
Interest expenses	1.9	98.2	8.3
Treasury operations expenses		159.3	
Compensation to employees		1,550.0	3,164.3
Indirect taxes	5.5	2.5	17.4
Rent & lease rent		22.0	15.8
Insurance premium paid			
Outsourced professional jobs	21.3	661.7	1,702.9
Non-executive directors' fees			0.3
Selling & distribution expenses			
Travel expenses		9.6	20.2
Communications expenses		2.8	2.3
Printing & stationery expenses		6.0	1.5
Royalties, technical know-how fees, et			
Repairs & maintenance		2.9	6.4
Miscellaneous expenditure	57.5	2,603.4	7,491.7
Non-cash charges		54.8	166.5
Depreciation		54.8	166.5
Amortisation			
Write-offs			
Provisions			
Prior period and extraordinary expenses			
Provision for direct tax	67.4	1,521.0	3,471.1
Profit after tax	183.2	4,239.6	11,223.1

Cash Flow Statements

Zerodha Broking Ltd.			
Cash Flow Summary : Mar 2019 - Mar 2021 : Non-Annualised : Rs. Million	Mar 2019 7 mths IGAAP	Mar 2020 12 mths INDAS	Mar 2021 12 mths INDAS
Net cash flow from operating activitie	28,043.2	8,417.8	-5,028.7
Net profit before tax & extraordinary ite	250.6	5,760.5	14,694.2
Add: Adj for non-cash and non-op exp		153.2	917.3
Less: Adj for non-cash and non-op inc		155.1	18.8
Operating cash flow before working	250.6	5,758.6	15,592.7
Add:Cash inflow due to decr/(incr) in w	28,406.9	20,580.8	73,462.5
Less:Cash outflow due to (decr)/incr in	546.9	16,473.7	90,546.6
Cash flow generated from operations	28,110.6	9,865.7	-1,491.4
Cash flow before extraordinary items	28,043.2	8,417.8	-5,028.7
Cash outflow due to extraordinary item			
Cash inflow due to extraordinary items			
Cash outflow due to misc expend			
Net cash inflow from investing activiti	-71.5	-7.8	2,065.9
Less: Cash outflow from investing activi	71.5	624.9	4,075.7
Add: Cash inflow due to investing activit		617.1	6,141.6
Net cash flow from financing activities	887.6	-1,717.6	-8.2
Less: Cash outflow due to financing acti	112.4	1,717.6	8.3
Add: Cash inflow from financing activitie	1,000.0		0.1
Net change in cash & cash equivalent	28,859.3	6,692.4	-2,971.0
Cash & cash equivalents as at the start o		1,560.9	8,253.3
Cash & cash equivalents as at the end of	28,859.3	8,253.3	5,282.3

3.Research Methodology

3.1 Research Methodology

We have used secondary research in this. It is a method of study that involves compiling preexisting information from multiple sources. Sources can be both internal as well as an external. Secondary research can be performed on the secondary data already published on websites, statistical reports and by survey results. By using procedures like surveys, phone interviews, observation, in-person interviews, and others, the information is frequently gathered for no cost or at a moderate cost. Obtaining, examining, analysing, and incorporating secondary data helps researchers affirm their research objectives for the study period.

3.2 Research Design

Descriptive research was chosen as the analytical approach since the aim of this study was to fully comprehend the patterns and financial statements of the Zerodha organisation for the specified financial years. The goal of this kind of definitive research study is to describe the traits of a certain person or group. It involves doing study on certain theories, character characteristics, or societal roles, etc. The approach for descriptive research must be well thought out in order to get accurate and extensive data for the study. The researcher must clearly define the outcomes they wish to assess. What is it that he wants to assess? He must describe the population under investigation in great detail.

3.3 Data Collection

The 'ProwessIQ' is where the information is gathered. The information on many fields was gathered from this website. ProwessIQ offers graphing tools and professionally written reports on business performance. The reports include financial data, including benchmark comparisons and analytical ratios. This aids in forming our decisions.

4.

Data Analysis

Financial Ratios

Profitability Ratios Table

PROFITABILITY RATIOS				
	Formula	March 19 (7months)	March 2020	March 2021
Operating Margin	Operating Income/ Total Sales	(197/ 336.8) *100 = **58.5%**	(5765.74/10940.7) *100 = **52.7%**	(14685.24/27296) *100 = **53.8**%
Net Profit Margin	Net Income/ Total Sales	(183.2/ 336.8) *100 = **54.4%**	(4239.6/10940.7) *100 = **38.8%**	(11223.1/27296) *100 = **41.1%**
Return on Equity	Net Income/ Shareholders Equity		(4239.6/5423.7) *100 = **78.16%**	(11223/16644) *100 = **67.4%**
Return on Capital Employed	EBIT/ Capital Employed		(5250.65/6014.5) *100 = **87.3%**	(18174/18030) *100 = **100.8%**

LIQUIDITY RATIOS				
	Formula	March 19 (7months)	March 2020	March 2021
Current Ratio	Current Assets/ Current Liabilities	(28949.8/28408.8) = **1.0**	(52997.7/48053) = **1.1**	(133057.6/119338.8) = **1.1**
Debt to Equity Ratio	Total Debt/ Shareholders Equity	(28408/1183.2) = **24**	(48643.8/5423.7) = **8.96**	(120724.8/16644) = **7.25**

Earning per Share Table

EARNING PER SHARE				
	Formula	March 19 (7months)	March 2020	March 2021
EPS	Net Income/ Total number of shares	(18.32/10) = **1.83**	(423.96/10) = **42.4**	(1122.31/10) = **112.23**

BASIS FOR OFFER PRICE

The company tries to determine the offer price in consultation with the investors who are offloading their stake via IPO and on the. The investor may lose all or part of their investmentand could see the fall in the stock price due to factors mentioned in the Key Risks associated withthe company.

Qualitative Factors

There are certain qualitative factors which affect the stock price along with financial data.

• Among the biggest retail brokerage firms with a solid brand equity.

• Company tries to have good client satisfaction record with the execution of advanced technology and digitalization in their apps and website

• A sizable customer base thanks to our online and digital platform and their network of authorised people.

• They have remarkable presence in cash and commodity segment

• They have robust financial track record and outperforming their own quarterly and yearly financial results.

• Solid execution and a proven and seasoned management team

Quantitative Factors

Relative Valuation with Peers

Peer Companies	Current price	Market Capitalization (in Crores)	No of shares (In Crores)	Sales	P/E ratio	P/S	EV/EBITDA
Angel Broking	1277	13231	8.73(8.8)	2655	12	4.98	10.2
Anand Rathi Securities	854	2840	4.38(4.4)	486	21.2	5.85	12.7
IIFL Securities	55.2	2010	30.6	1273	6.95	1.58	-1.82
iCICI Securities	457	16300	32.4	3483	12.4	4.68	8.47

Table 4.3
(Own analysis)

Ratio's quartile range table

	P/E	P/S	EV/EBITD
25% quartile	10.7375	3.905	5.8975
Median	12.2	4.83	9.335
75% quartile	14.6	5.1975	10.8225
Average	13.1375	4.27	7.3875

Year	Profit after tax (in Cr)	No. of Outstanding Shares (in Cr)	Earnings per Share (EPS)
2019	18.32	10	1.832
2020	423.96	10	42.396
2021	1122.3	10	112.23
Weighted			**105.83**

Note:-There is no preferred dividend in our company.

EBITDA is calculated from Balance sheet= PAT + TAX + Depreciation

=1122.31+347.11+16.65

EBITDA = 1486.07

Enterprise value = EBITDA (last year of Zerodha)*Median of EV/EBITDA Ratio

Enterprise value= 1486.07*9.335=13872.463 cr

	EPS	Sales per Share	EBITDA
Zerodha Broking Ltd	105.83	173.47	1469 Cr

*Share Capital = Face Value * Number of Share*

Number of Shares = Share Capital / Face Value

Number of Shares = 100 cr/ 10

Number of Shares = 10 crore

Price Range Table

UPPER PRICE BAND (75% Quartile P/E* EPS)	1549.20
LOWER PRICE BAND (Median P/E * EPS)	1291.12

Shares Allocation:-

Share Allocation Table

No of Shares to be allotted	Rules regarding the allocation of shares	**2,14,47,772**
Qualified Institutional Investors (QII)		**96,51,497**
Anchor Investors		**57,90,898**
High Net Worth Individuals (HNIs)		**42,89,555**
Retail Investors		**75,06,720**

Shareholding pattern after IPO

Shareholding table

S.NO	**Shareholders Name**	**Shareholding pattern before the IPO**		**Shareholding pattern after the IPO**	
1.	Nitin Kamath	3,09,10,000	30.91	2,94,80,000	26.8
2.	Nikhil Kamath	2,89,10,000	28.91	2,64,00,000	24
3.	Seema Patil	99,70,000	9.97	88,00,000	8
4.	Revathi Kamath	1,00,000	0.1	1,00,000	0.09
5.	Udyavara Raghuram Kamath	1,00,000	0.1	1,00,000	0.09
6.	Austin Global Ventures Pvt Ltd	2,99,10,000	29.91	2,61,80,000	23.8
7.	Stradle Capital Pvt Ltd	1,00,000	0.1	1,00,000	0.09
8.	Mutual Funds	-	-	96,51,497	8.77
9.	Retail Investors/HNI’s	-	-	1,17,92,000	10.72

5. CONCLUSION

A company has a mean to raise equity funding from the general public through the route of an IPO. Private investors can realize their gains from their initial investment by offering their shares on the premium. One of the main motivations for a firm to go public is to generate operating capital for projects like diversifying its existing line of business into other industries or increasing its clientele by constructing physical stores in underserved regions. The money might also be used by the business to do research and create new items. A financially solid business may decide to launch an IPO rather than submit a loan request to a bank. Before disbursing a loan, banks often carefully review the firm balance sheets, however the loan might have a high interest rate. Therefore, the IPO method is advantageous for businesses wishing to raise substantial quantities of money. The corporate board or the promoters, however, can effectively grow the firm and reward the shareholders if they carefully employ the capital acquired during the IPO process.

Through this IPO drafting, I calculated the financial ratios of Zerodha. I have adopted the method of relative valuation approach to reach a price point where investors can be ready to participate in built in offer. The price band for the IPO should be under 20% price limit. The price band according to calculation should be from 1291 to 1549. We have also calculated the shareholding patterns after the company gets listed.

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