

# 'Anagram buy will help us fill the gap on retail side'

Individual stocks will see upside in 2010, says Edelweiss chairman **Rashesh Shah**

**E**DELWEISS Group on Wednesday announced the acquisition of Anagram Capital, marking its entry into the highly-competitive retail broking space. The combined entity, which has a daily turnover of over Rs 5,500 crore, will be the largest broking house in the country. And now Edelweiss is firming up aggressive plans, including an investment of Rs 100 crore, to scale up the business. Edelweiss chairman **Rashesh Shah** spells out his retail plans in an interview to ET NOW's **Ashwin J Punnen**. Excerpts:

## **What is the rationale behind this acquisition and how is Anagram going to fit into your scheme of things?**

We are strong on institutional, corporate and HNI (high net worth individuals) side of the business, the only gap in the portfolio was retail. Anagram offers us the opportunity to scale up the business and fill the gap on the retail side. Anagram has 1.8 lakh customers and 135 branches and a very wide and diversified client base. We are strong on the F&O (futures & option) side, while they are strong on the cash side of the business. In our case, institutional business currently is around 80-85% and our internal objective is to have 50:50 institutional and retail business. We currently trade around Rs 4,600 crore a day and Anagram does another Rs 800 crore a day, so together we should do about Rs 5,500 crore of average daily trading volume which should make us the largest brokerage house in India.

## **You have paid Rs 164 crore for buying a 100% stake in Anagram. On a price-to-earnings basis, how much valuation are you giving the company?**

Anagram has an equity base of Rs 65 crore. We paid slightly under Rs 100 crore as a goodwill value. The total revenue for the year should be between Rs 125 crore to Rs 145 crore. On that basis, we paid 1.1 times the revenue of the company.

## **How are you planning to integrate Anagram into your business and how are you going to scale up the business?**

We will run Anagram as a 100% subsidiary of Edelweiss. We will continue with the management team and the brand 'Anagram' as it has a strong recall with the clients. For scaling up the business, we have an internal approval for investing more than Rs 100 crore, which we will invest over the next couple of years. We are looking to create capital products for retail clients and reformulate our research to cater to them.



## **Any plans for more inorganic growth?**

We are always happy to grow organically and inorganically. Currently, there are 8-10 million investors in the market directly or through IPOs, I think this will grow by three times in the next 5-7 years. So, 21 million to 30 million people should be investing in the market, which is still a small number, considering India's overall population. We are very hungry for growth. So, if there is something that allows us to grow inorganically we will look at it. We are fortunate that we have a strong capital base and balance sheet and an internal culture to be able to acquire and integrate the business.

## **What is your broad view on the market? Do you expect a pre-budget rally?**

The global cues are in a correction phase, as liquidity is getting tight globally. There is selling from the foreign institutional investors and some fresh equity issuances are coming into the market. That is putting pressure on the market and a cap on any upside. We expect the index to remain in a trading zone this year, investors should not expect a big upside on the index side. But, there will be upside in individual stocks and it is going to be a stock-pickers' market. Stock-picking in small and mid-cap segment will be the theme of this year.

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## **Edelweiss buys Anagram for Rs 164 crore**

**MUMBAI:** MUMBAI-BASED Edelweiss Capital is set to buy Anagram Capital, an unlisted retail brokerage chain promoted by the Lalbhai Group, for Rs 164 crore. The move paves the way for Edelweiss' entry into retail broking business. Currently, the firm services only institutional investors and is an investment banker. "What makes this transaction exciting is the minimal overlap between the broking operations of both the companies," Rashesh Shah, chairman, Edelweiss Group. Though the cost of buyout is considered 'slightly expensive', as Anagram's business network is predominantly in Gujarat, market participants said Edelweiss is paying for a relatively easier entry into the country's highly crowded, yet profitable, retail broking business. "Setting up a new retail broking chain is a tough task, as it involves building everything from setting up branches to roping in sub-brokers. At this juncture, acquisition is the best way to enter into or expand retail broking business," said a top official with a leading rival brokerage. Shares of Edelweiss fell 2.6% to Rs 438 on Wednesday.