

## Billionbrains Garage Ventures (GROWW) - BUY

### Company Update

Current Market Price (CMP) <b>Rs. 161</b>	Fair Value (FV) <b>Rs.190</b>
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### Rationale:

- We expect Groww to benefit from a jump in trading volumes in 4Q, leading to strong earnings growth and margin uptick.
- Elevated volatility during the quarter has supported sharp growth in activity levels.
- Groww also continues to report strong active client additions.
- In our view, investor appreciation of Groww's low-cost, product-led model and expanding monetization has improved.
- Valuations, share supply and regulatory risks remain the key concerns, though.
- We retain our BUY rating with a Fair Value of Rs190.

### 👍 Positives:

- We expect brokers and exchanges to report strong earnings growth in Q4.
- We expect Groww to report a strong jump in earnings and an improvement in Earnings Before Interest Tax Depreciation and Amortization margins in Q4.
- Recurring spikes in volatility in 4Q (war, commodities, union budget, etc.) have helped volume growth. Groww specifically has also seen much stronger additions in active clients.
- Groww's size and presence (~15% SIP market share), its Mutual fund business can likely create a steadily growing recurring revenue line.
- Our interactions with investors on Groww now reflect a much better appreciation of key strengths of the business include expanding monetization across broking, margin lending, wealth and consumer credit at lower incremental costs.

### 👎 Negatives:

- The key pushback are - (1) high valuation multiples, (2) recurring noise of further regulatory clampdown and (3) supply of shares from pre-IPO shareholders.



The content of this document has been derived from Kotak Securities PCG research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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