

Business Overview

Company Profile:

- Prudent Corporate Advisory Services Limited (Prudent Corporate) was incorporated on June 4, 2003. The company is an independent retail wealth management services group and is amongst the top mutual fund distributors in terms of average assets under management ("AAUM") and commission received.
- They offer a technology enabled, comprehensive investment and financial services platform with end-to-end solutions critical for financial products distribution and presence across both online and offline channels.
- They have become an important interface between asset management companies ("AMCs") and mutual fund distributors or independent financial advisors ("MFDs") (and by extension, retail investors who avail services from such MFDs), over the last two decades. They are an independent platform with no single AMC contributing more than 15% of their AUM as of December 31, 2021.
- They have provided wealth management services to 13,51,274 unique retail investors through 23,262 MFDs (Mutual Fund Distributors) on their business-to-business-to-consumer ("B2B2C") platform and are spread across branches in 110 locations in 20 states in India, as on December 31, 2021. Of their branches, 50 are locations in beyond the top 30 cities ("B-30") markets and 60 are locations in the top 30 cities ("T-30") markets.
- The company has highly scalable, asset-light and cash generative business model. They have benefited from the strategic inputs and support of Wagner Ltd, a TA group company and a financial investor in the company.
- They also distribute life and general insurance products in India through their wholly owned subsidiary, Gennext. In the nine months ended December 31, 2021, they have distributed 74,037 policies, across life and non-life insurance segments.

Prudent Corporate has following platforms:

- Fundzbazar** is an online investment platform offers variety of investment products
- PrudentConnect** is a virtual office for all MFDs registered with the company which provides end-to-end support for MFDs for various processes
- Policyworld** is an online insurance platform offers completely paperless transactions for variety of insurance solutions
- WiseBasket** an online facility to invest in multiple model stock portfolios;
- Prubazaar** provides the facility to the clients to buy/sell equities through web portal or mobile app
- CreditBasket** portal offering finance to customers through a wide range of retail loan products and credit card products for varying financial needs

Issue Details

Offer for sale of up to Up to 8,549,340 Equity Shares aggregating up to ₹ [●] million

Issue size: ₹ 508 - 538 Cr

No. of shares: 8,549,340

Face value: ₹ 5/-

Reservation for Employees: Equity shares aggregating up to ₹ 6.50 Cr.

Price band: ₹ 595-630

Bid Lot: 23 shares and in multiples thereon

Employee Discount: ₹ 59 per share

Post Issue Implied Market Cap:

₹ 2,464 - 2,609 Cr

BRLMs: ICICI Securities Limited, Axis Capital Limited and Equirus Capital Private Limited

Registrar: Link Intime India Private Limited

Indicative Timetable

Activity	On or about
Anchor Investor Bidding Date	09-05-2022
Issue Opens	10-05-2022
Issue Closes	12-05-2022
Finalization of Basis of Allotment	18-05-2022
Refunds/ Unblocking ASBA Fund	19-05-2022
Credit of equity shares to DP A/c	20-05-2022
Trading commences	23-05-2022

Listing: BSE & NSE

Issue Break Up

Retail	QIB	NII
35%	50%	15%

Shareholding *

	Pre Issue	Post Issue
Promoter & Promoter Group	56.78%	56.78%
Public - Selling Shareholders	43.22%	22.57%
Public - Others	0.00%	20.65%
Total	100.00%	100.00%

*Calculated using data in RHP on pages - 56, 78 & 326

Competitive Strengths

Operating in an underpenetrated Indian asset management industry that has grown at a CAGR of more than 20%: Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base on account of increasing penetration across geographies, strong growth in capital markets, higher technology progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. However, penetration levels remained well below those in other developed and fast-growing peers, with a world average of 75%. The ratio of the equity mutual fund AUM-to-GDP in India at 6% is considerably low compared to 89% in the US, 78% in Canada, 50% in the UK, and 30% in Brazil. The company believes that this strong macroeconomic backdrop, coupled with India's rising affluence, digitization and awareness will continue to propel the financialization of savings and therefore the growth of the wealth management sector in India.

A growing independent financial products distribution platforms: The company is an independent retail wealth management services group in India and are amongst the top mutual fund distributors in terms of in terms of AAUM (Source: CRISIL Report). Company's AAUM has grown at a CAGR of 32.5% to ₹ 24,910 crore in the 5 year period from Fiscal 2016 to Fiscal 2021 while in the same period mutual funds distributors' AAUM grew at an approximate CAGR of ~12% and touched ₹ 10.19 trillion in Fiscal 2021. They had 12% market share within the national distributor segment on AAUM basis as of Fiscal 2021. They grew faster among national distributor (amongst the Top-10 mutual fund distributors) in terms of commission and AAUM with a CAGR of 34.4% and 32.5% respectively for the 5 year period ending Fiscal 2021.

A granular retail AUM with a mix skewed towards high-yield equity AUM: As of December 31, 2021, the company was among the top mutual fund distributors on AAUM basis. Individual investors tend to stay invested for longer periods and prefer equity-oriented schemes, providing predictable, committed AUM to mutual funds and steady, recurring inflows for distributors as well. The company believes that the increase in equity mix and retail investor base have been driven by its focus on digital offering and the extensive MFD network across all the country, including B-30 markets. As per CRISIL, among various asset classes, equity as an asset class has higher expense ratio and consequently higher earning for distributors. The company's commission to AAUM ratio for Fiscal 2021 stood at 1.06%, while the industry average in the same period was 0.65%. This is primarily due to 87.52% of its total AUM being equity oriented. (Source: CRISIL Report).

The value proposition has led to increased participation and long-standing relationship with MFDs: Company's offerings for MFDs include various technology platforms for them as well as for their retail investors, with continuous support through their 59 member in-house technology and 55 members back-office service team. They offer a virtual office for their MFDs providing information which will help to manage and grow their business. Their MFDs as well the clients are habituated with the various offerings of their platform. They are successful in growing their MFD network from 8,378 as on March 31, 2018 to 23,262 as on December 31, 2021 at a CAGR of 31.24%. Further, 84,784 MFDs have joined the industry during the period between April 1, 2016 and December 31, 2021. During the same period, they have added 18,915 MFDs on their platform. Further, their MFD base is well-diversified, with their top 50 MFDs (by AUM) contributing only 8.52% of total AUM, as of December 31, 2021.

The pan-India diversified distribution network with ability to expand into underpenetrated B-30 markets: Prudent Corporate is one of the very few national distributors (non-bank) with a strong presence in the B-30 market catering to retail investors in more than 16,356 pin codes across India. The additional TER benefits distributors like them who have built a strong presence in B-30 markets by getting higher commissions on B-30 AUM. Their AUM from the B-30 markets was ₹ 2,525.03 crore representing 15.15% of their total AUM as of March 31, 2018 and has grown at a CAGR of 36.20% to ₹ 8,058.62 crore representing 16.65% of their total AUM as of December 31, 2021.

Consistent track record of profitable growth due to a highly scalable, asset-light and cash generative business model: The company has a track record of strong financial performance and delivering returns to shareholders. It has a scalable and asset-light model. The company has focused on managing costs by using a technology-led business model. As a result, their cost ratio, which defines as the ratio of total expenses to total revenue, has decreased from 86.42% in Fiscal 2019 to 76.31% for the 9 months ended December 31, 2021. In last couple of years, the company has created significant infrastructure in the form of digital assets, physical branch presence, a wide MFD network as well as a large SIP base which help them in generating operating leverage in their business operations.

An experienced management team and being backed by a global investor: Company's management team has extensive experience in the financial services sector. It believes that the quality of its management team has been critical in achieving the business results and that the management's experience will help them make timely strategic and business decisions in response to evolving customer needs and market conditions. In particular, the company believes that its management team has cross-functional expertise across business segments, product design and technology. Further, Wagner, a global investment firm had invested in the company in Fiscal 2019 and has been part of its journey since while benefiting from the strategic inputs and support of this marquee financial investor.

For further details, refer to 'Competitive Strengths' page 146 of RHP

Business Strategies

To continue to focus on increasing geographic reach and strengthening relationships with MFDs:

The company intends to grow its geographic reach by both expanding distribution network and deepening existing presence. The company expects significant improvement in productivity of its branches and consider it as one of the levers for its growth in the next few years. The company intends to continue to increase its footprint across India by focusing on growing the presence in B-30 cities and rural markets. Their mix of physical and digital model allows them to selectively target markets for expansion, especially in Tier 2 or Tier 3 cities, which are comparatively underpenetrated, thereby representing significant growth potential.

To leverage the existing MFD network to distribute products and services:

The company intends to maintain the growth momentum in its financial products distribution business through the existing network of 23,262 MFDs and 499 relationship managers and acquire new client base. This network presents them with significant potential to cross-sell other financial products including insurance. As of December 31, 2021, the company has 23,262 MFDs, while the number of point-of-sale persons ("POSP") for its insurance products distribution business stood at 6,779. Of the 23,262 MFDs, 3,298 MFDs also offered insurance and other financial products to its retail customers. This presents significant opportunities to increase the company's point-of-sale ("POS") base and to cross-sell insurance products to its existing retail investors base. The company will also endeavour to cross sell insurance products through its PolicyWorld platform.

To continue innovating the technology platforms to provide superior experience to their MFDs and clients:

As majority of the customers invest and interact through the digital platforms, the company needs to continuously invest in technology to ensure that they provide their customers with a fast, seamless and secure experience. The company plans to continue making investments in the IT infrastructure underlying its digital platforms to augment capacity, deliver innovative products and improve the user interface across devices. It also aims to increase the use of technology in other parts of the business to optimise the operations, reduce costs and errors in the areas of sales, customer relationship, information security and risk management. The company intends to continue investing in their analytics capabilities to ensure that they are able to gain actionable insights from such data.

To add new offerings to the existing portfolio:

With an increasing financialisation of investments and a greater understanding of financial investments among Indians, the company believes that certain asset classes are underpenetrated among its customer base and it will leverage the analytics capabilities to recommend customized products for the investor base. With the expansion of product basket from mutual funds to other products such as NPS, unlisted securities, bonds, PMS, insurance (for POSP), the company assists MFDs to increase their revenue from same set of clients, thereby increasing average revenue per investor. Apart from products distribution, the company also wishes to strengthen its research and advisory offerings to the partners and retail customers. The company also intends to expand the target customer base from MFDs and underlying retail customers to the high-net-worth individuals and affluent segments of wealth management by leveraging its current brand and network to cater to these newer categories.

For further details, refer to 'Strategies' page 151 of RHP

Profile of Directors

Sanjay Shah is the Chairman and Managing Director of the Company. He holds a bachelor's degree in business administration from Sardar Patel University and is a qualified chartered accountant. He has been admitted as a fellow member of the Institute of Chartered Accountants of India. He has been associated with the Company since its incorporation and has approximately two decades of experience in wealth management.

Shirish Patel is a Whole-time Director and the Chief Executive Officer of the Company. He holds a bachelor's degree and a master's degree in business administration for finance, and a diploma in computer applications from the Gujarat University. He has been associated with the Company since December 1, 2005. As the Chief Executive Officer, he has been instrumental in the company's business expansion and has expanded the branch network from five to 105 branches as on date.

Chirag Shah is a Whole-time Director of the Company. He holds a bachelor's degree in economics from South Gujarat University and is a qualified chartered accountant. He has been admitted as a fellow member of the Institute of Chartered Accountants of India. He has been associated with the Prudent Group since 2004 and is currently serving on the board of Gennext, their Subsidiary, managing and developing the insurance business. Additionally, he is also responsible for the human resource, administrative and compliance functions of the Prudent Group

Dhiraj Poddar is a Non-executive Director of the Company, a nominee director of Wagner on its Board. He holds a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad and has been admitted as an associate of the Institute of Chartered Accountants of India. He is currently serving as the Country Head – India and Managing Director of TA Associates Advisory Private Limited, focusing on investments in companies in India and other emerging markets. Previously he has been associated with ICICI Securities Limited, Progeon Limited, Standard Chartered Bank and has over 17 years of experience in private equity.

Deepak Sood is an Independent Director of the Company. He holds a bachelor's degree in science from University of Delhi, a bachelor's degree in law from University of Mumbai and a master's degree in science from University of Delhi. He is also a fellow of the Insurance Institute of India. Previously he has been associated with Navirisk Consulting LLP, United India Insurance Company Limited, Avantha Holdings Limited and Zurich Risk Management Services (India) Private Limited. He has over three decades of experience in the insurance sector.

Karan Kailash Datta is an Independent Director of the Company. He holds a bachelor's degree in commerce from the University of Delhi. He has previously been associated with Goldman Sachs (India) Securities Private Limited, Goldman Sachs Asset Management (India) Private Limited and Axis Asset Management Company Private Limited and has approximately ten years of experience in asset management.

Shilpi Thapar is an Independent Director of the Company. She holds a bachelor's degree in law and a bachelor's degree in commerce from the Gujarat University. She is also registered with the Insolvency and Bankruptcy Board of India as an insolvency professional. Further, she is a qualified company secretary and a fellow of the Institute of Company Secretaries of India. Currently, she is associated with Shilpi Thapar & Associates, Company Secretaries and has previously been associated with Kataria Automobiles Limited and Gujarat State Investments Limited. She has approximately 18 years of experience in legal and corporate governance matters.

Aniket Talati is an Independent Director of the Company. He holds a bachelor's degree in commerce from the University of Mumbai and a master's degree in commerce for finance and taxation from Indira Gandhi National Open University. He is also a qualified chartered accountant and has been admitted as a fellow of the Institute of Chartered Accountants of India. He was elected to the Twenty Fourth Council of the Institute of Chartered Accountants of India in 2018 from the Western India Regional Constituency.

Given above is the abstract of data on directors seen on page 173 of the RHP

Object of the Offer

Since the Offer is an offer for sale, the Company will not receive any proceeds from the Offer. The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; (ii) carry out the Offer for Sale of up to 8,549,340 Equity Shares by the Selling Shareholders; and (iii) to realise the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of the Company's brand name and creation of a public market for the Equity Shares in India.

Comparison with peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to their business:

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Prudent Corporate Advisory Services Ltd.	5	10.96	28.73	38.13	[-]
Listed Peers					
IIFL Wealth Management Ltd.	2	42.24	13.06	321.77	41.9
ICICI Securities Ltd.	5	33.14	5.86	56.55	18.0
Central Depository Services (India) Ltd.	10	19.17	21.88	88.04	74.7
Computer Age Management Services Ltd.	10	42.08	39.80	105.73	62.5
HDFC Asset Management Company Ltd.	5	62.28	27.76	224.28	32.9
Nippon Life India Asset Management Ltd.	10	11.04	21.91	50.29	30.0
UTI Asset Management Company Ltd.	10	38.97	15.27	255.31	24.4

Above data obtained from pages 86 of RHP

Notes:

1. Financials as of FY21
2. Shareholding as of March 31, 2021
3. Closing price and market capitalization – BSE and NSE
4. Net worth includes non-controlling interest (wherever applicable)

Financials (Restated Consolidated)

(Rs. In Millions)

Particulars	As at 31 st December, 2021	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2019
Equity Share Capital	207.03	10.34	10.34	10.34
Other Equity	1,940.99	1,566.09	1,114.82	820.61
Net Worth	2,148.02	1,576.45	1,125.18	830.97
Total Borrowings	330.02	26.10	77.56	228.72
Revenue from Operations	3,212.21	2,865.07	2,348.33	2,219.84
EBITDA	814.96	619.10	466.71	382.05
EBITDA Margin	25.37%	21.61%	19.87%	17.21%
RoNW	26.83%	28.73%	24.75%	25.30%
Net Profit/Loss after tax	576.28	452.97	278.53	210.19
Basic Earnings Per Share	13.94	10.96	6.74	5.08

Note: Above data obtained from pages 20, 85, 150 & 203 of RHP

Key Risk Factors

- The company operates in a highly regulated environment, which is subject to change, and existing and new laws, regulations and government policies affecting the sectors in which it operates could adversely affect the business, financial condition and results of operations.
- Non-compliance with regulatory guidelines and directions/ observations during inspection by regulatory organizations may have a material adverse effect on its business, financial condition or results of operation.
- There is an outstanding criminal case in which the Economic Offences Wing has issued notices to Prudent Comder Private Limited (since merged with the company's Subsidiary, Prudent Broking Services Private Limited ("PBSPL")), the Promoter and a director of the Subsidiary and there is an outstanding SEBI matter against PBSPL, which if determined in an adverse manner, may result in a loss of license of PBSPL and consequently may adversely impact the company's future operations, reputation and profitability.
- Recommendations, suggestions and advice provided by Mutual Fund Distributors ("MFDs") using the company's platform to their clients may be subject to errors or fraudulent behaviour and are beyond its control and any resultant adverse impact to their clients could have an adverse impact on the company's reputation, business and results of operations.
- If the company does not continue to innovate and further develop its platform or the platform developments do not perform, it is not able to keep pace with technological developments, it may not remain competitive and the business and results of operations could suffer.
- The company's business operations are highly dependent on information technology. Failure or disruption of its Information Technology ("IT") systems may adversely affect the business, financial condition, results of operations and prospects.
- Systems failures and resulting interruptions in the availability of the company's platform could adversely affect its business, financial condition, cash flows and results of operations.
- The company's inability to grow at its historical rates could adversely affect the business, results of operations and financial condition.
- Any reduction in the company's commission or brokerage of other financial products could have adverse effect on its business, financial condition, cash flows, results of operations and prospects.
- The company has commissioned and paid for an industry report from CRISIL Limited specifically for the purpose of the Offer, which has been used for industry related data in its Red Herring Prospectus.
- Direct investments in mutual funds by the company's existing as well as potential clients will have an adverse impact on its revenue from mutual fund distribution.
- A show-cause notice was issued by the Joint Commissioner, Central Goods and Service Tax and Central Excise to the company pursuant to its acquisition of the mutual fund folios of Karvy Stock Broking Limited.
- There is outstanding litigation against the Company and its Subsidiaries, which if determined adversely, could affect the business and results of operations.
- The company has outstanding dues to creditors, which if not paid may lead to claims against the company and in turn adversely impact its reputation and results of operations.
- The company has faced liabilities on account of delay or default in deposit of statutory dues which in turn may adversely impact the reputation and results of operations.
- The company may not be able to derive expected benefits from the acquisition of the mutual fund folios of Karvy Stock Broking Limited.

- The company has in the past acquired an entity from certain related parties.
- The company has issued corporate guarantees in respect of certain bank guarantees submitted by its Subsidiary PBSPL, which if called upon, may subject them to additional liabilities and strain the cash flows.
- The Promoter, certain of the Directors and Key Management Personnel may be interested in the company other than remuneration and reimbursement of expenses.

(Please read carefully the Risk Factors given in detail in section II (page 27 onwards) in RHP)

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Registration details:

JM Financial Services Ltd.

Stock Broker – Registration No. - INZ000195834

Corporate Identity Number: U67120MH1998PLC115415

Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.

Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223

Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.

Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139.