

Prudent



— Money through wisdom —

Prudent Corporate Advisory Services

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Offer Details

IPO date	10/05/2022 to 12/05/2022
Face Value	Rs. 5 Per Share
IPO Price	Rs. 595 to Rs. 630 Per Share
IPO Lot Size	23 Shares
Issue Size	8549340 Shares of Rs. 5 (Aggregating up to Rs. 538.61Cr.)
Employee Discount	Rs. 59 Per Share

About the company

- The company is an **independent retail wealth management services group** in India and is amongst the top mutual fund distributors in terms of average assets under management (“AAUM”) and commission received (Source: CRISIL Report).
- It was incorporated in the year 2003. Currently, it provides wealth management services to **13,51,274 unique retail investors** through **23,262 MFDs** through 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.
- As on December 31, 2021, our assets under management from the mutual fund distribution business (“AUM”) stood at **₹ 484,114.74 million** with 92.14% of the total AUM being equity oriented.
- It also **distributes life and general insurance products** in India through its **wholly owned subsidiary, Gennext**.
- The major business verticals of the company are
 - 1) Mutual Funds
 - 2) Insurance
 - 3) Broking

What is working for the company?

- The industry in which the company is operating is very underpenetrated. With the increase in financial literacy along with the increase in house hold savings, this sector will witness growth.
- The company has developed various technology platform like FundzBazar, PrudentConnect, Policyworld, WiseBasket and CreditBasket through which it provides end to end services to its partners.
- The company has **PAN India diversified distribution network** catering to more than 16,356 pin codes across India.
- The company has consistent track record of **profitable growth** due to a highly scalable, asset light and cash generative business model.
- The company has an **experienced management team** and is also backed by **Wagner, a global investment firm** who had invested in the company in the year 2019 has been invested since then.
- The company has **focus on retail investors and SIP**. The number of live SIPs on their platform being 1.53 million as of December 31, 2021, with the corresponding equity AUM from SIPs standing at 189499.09 million (representing 42.48% of the total equity-oriented mutual fund AUM) as of December 31, 2021. The number of active SIPs has increased from 0.79 million in Fiscal 2018 to 1.03 million in Fiscal 2021 to 1.53 million as of December 31, 2021.

What is not working for the company?

- The industry in which the company is operating is **highly competitive** with new players entering very frequently.
- The sector is **highly regulated** and hence the company will always be subject to compliances to this regulations and there will be regulatory risk. The company has already stated some compliance risk which they are currently facing.
- Due to high amount of competition, the company will always have to monitor their commission rates in order to ensure client retention.
- The mutual fund distribution service is a people centric field. The success of the company depends of retention of its mutual fund distributors.
- The entire offer is an **offer for sale** . The **valuation of the company is on the higher side.**

Our Recommendation

We recommend you to **SUBSCRIBE** to this IPO on the following parameters:

- The financial penetration is expected to rise with the increase in financial literacy.
- The financial market in India is expected to continue growing at a healthy pace owing to strong demand- and supply-side drivers, such as expected growth of the Indian economy, increasing urbanization, increasing house hold savings, rising consumerism because of higher per capita incomes, and favorable changes, thereby indicating market growth potential for established financial service providers in India.
- Since the company is entering with a higher valuation it might be subject to corrections in near future. The parameters like new entrants, client retention ratio, new branches opened etc. needs to tracked.

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