

Issue highlights

- ❑ **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 have become an important interface between asset management companies (“**AMCs**”) and mutual fund distributors or independent financial advisors (“**MFDs**”).
- ❑ As on December 31, 2021, their assets under management from the mutual fund distribution business (“**AUM**”) stood at ₹ 48,411.47 crore with 92.14% of their total AUM being equity oriented.
- ❑ As on December 31, 2021, they provided wealth management services to 1,351,274 unique retail investors through 23,262 MFDs on their business-to-business-to-consumer (“**B2B2C**”) platform and are spread across 110 locations in 20 States. Also, the number of AMFI Registration Number (“**ARN**”) holders empanelled with them stood at 23,262, representing 18.46% of the industry.
- ❑ The company has highly scalable, asset-light and cash generative business model.
- ❑ 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
- ❑ Prudent Corporate also distributes Life and General Insurance Products in India and as of December 31, 2021, they distributed 74,037 policies
- ❑ Prudent Corporate participated in the bidding process for the acquisition/transfer of Karvy Stock Broking Ltd (“**KSBL**”) and acquired the entire mutual fund folios/ AUM of KSBL (“**KSBL MF Folios**”) for an amount of ₹151 crore.
- ❑ They have benefited from the strategic inputs and support of **Wagner Ltd, a TA group company** and a financial investor in the company.

Brief Financial Details*

(₹ In Cr)

| | As at Dec' 31, | As at Mar' 31, | | |
|---------------------------|----------------|----------------|----------|-----------|
| | 2021(09) | 2021(12) | 2020(12) | 2019(12)# |
| Equity Share Capital | 20.70 | 1.03 | 1.03 | 1.03 |
| Reserves | 194.10 | 156.61 | 111.48 | 82.06 |
| Net worth as stated | 214.80 | 157.65 | 112.52 | 83.10 |
| Revenue from Operations | 321.22 | 286.51 | 234.83 | 221.98 |
| Revenue Growth (%) | - | 22.00% | 5.79% | - |
| EBITDA as stated | 81.50 | 61.91 | 46.67 | 38.21 |
| EBITDA (%) as stated | 25.37% | 21.61% | 19.87% | 17.21% |
| Profit/Loss Before Tax | 77.69 | 60.52 | 37.43 | 28.65 |
| Net Profit for the period | 57.63 | 45.30 | 27.85 | 21.02 |
| Net Profit (%) as stated | 17.94% | 15.81% | 11.86% | 9.47% |
| EPS-Basic (₹) | 13.94 | 10.96 | 6.74 | 5.08 |
| RoNW (%) | 26.83% | 28.73% | 24.75% | 25.30% |
| NAV – Basic (₹) | 51.95 | 38.13 | 27.21 | 20.10 |
| NAV – Diluted (₹) | 51.95 | 38.07 | 27.17 | 20.07 |

Source: RHP *Restated Consolidated; #as Adjusted, ^not annualised; EPS and NAV calculated on increase share capital.

Issue Details

Offer for Sale of 8,549,340 Equity Shares

Issue summary

Issue size: ₹ 508 -538 Cr
No. of shares: 8,549,340 Equity Shares
Face value: ₹ 5/-
Employee Reservation: Equity Shares aggregating upto ₹ 6.5 Cr

Price band: ₹ 595 - 630
Bid Lot: 23 Shares and in multiple thereof
Employee Discount: ₹ 59/- Per Share

Post Issue Implied Market Cap =
₹ 2,464 – 2,609 Cr

BRLMs: Axis Capital, ICICI Securities, Equirus Capital
Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Tuesday, 10th May'2022
Issue closes on: Thursday, 12th May'2022

Indicative Timetable

| Activity | On or about |
|------------------------------------|-------------|
| Finalisation 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 |

Issue break-up

| | No. of Shares | | ₹ In Cr | | % of Issue |
|--------------|------------------|------------------|---------------|---------------|-------------|
| | @Lower | @upper | @Lower | @upper | |
| QIB | 4,214,035 | 4,217,752 | 250.74 | 265.72 | 50% |
| NIB | 1,264,211 | 1,265,326 | 75.22 | 79.72 | 15% |
| RET | 2,949,826 | 2,952,427 | 175.51 | 186.00 | 35% |
| EMP | 121,268 | 113,835 | 6.50 | 6.50 | - |
| Total | 8,549,340 | 8,549,340 | 507.97 | 537.94 | 100% |

Listing: BSE & NSE

Shareholding (No. of Shares)

| | Pre-Offer and Post-Offer Equity Shares |
|---------------------|--|
| No of shares | 41,406,680 |

Shareholding (%)

| | Pre-Issue | Post-Issue |
|----------------------|----------------|----------------|
| Promoter | 43.36% | 43.36% |
| Promoter Group | 13.43% | 13.43% |
| Public – Selling S/h | 43.15% | 22.50% |
| Public –Others | 0.07% | 20.72% |
| Total | 100.00% | 100.00% |

BACKGROUND

Company and Directors

The company was incorporated on June 4, 2003. Sanjay Shah is the Promoter of the company. Currently, he holds 17,952,250 Equity Shares, equivalent to 43.36% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Sanjay Shah is the Chairman and Managing Director of the company. He has been associated with the company since its incorporation and has approximately 2 decades of experience in wealth management.

Shirish Patel is the Whole-time Director and the Chief Executive Officer of the company. He has been associated with the company since December 1, 2005. He has been instrumental in business expansion and has expanded the branch network from 5 to 105 branches as on date. Prior to joining the company, he has worked with Leading Edge, ICICI Bank Ltd, ICICI Capital Services Ltd and Citibank, N.A., India and has approximately 22 years of experience in wealth management.

Chirag Shah is the Whole-time Director of the company. He has been associated with the Prudent Group since 2004 and is currently serving on the board of Gennext, subsidiary of the company, managing and developing the insurance business. Additionally, he is also responsible for the human resource, administrative and compliance functions of the Prudent Group. He has previously been associated with NSDL and has approximately 17 years of experience across the insurance and compliance sectors.

Dhiraj Poddar is the Non-executive Director of the Company, a nominee director of Wagner on the Board. He is currently serving as the Country Head – India and Managing Director of TA Associates Advisory Pvt Ltd, focusing on investments in companies in India and other emerging markets. He has also helped in investments across financial services, technology, business services and healthcare sectors. He has over 17 years of experience in private equity.

Deepak Sood is the Independent Director of the company. Previously he has been associated with Navirisk Consulting LLP, United India Insurance Co Ltd, Avantha Holdings Ltd and Zurich Risk Management Services (India) Pvt Ltd. He has also served at Bajaj Allianz General Insurance Company Ltd, Future Generali India Life Insurance Company Ltd, ERGO Insurance Group and Avantha Ergo Life Insurance Company Ltd. He has over 3 decades of experience in the insurance sector.

Karan Kailash Datta is the Independent Director of the company. He has previously been associated with Goldman Sachs (India) Securities Pvt Ltd, Goldman Sachs Asset Management (India) Pvt Ltd and Axis Asset Management Company Pvt Ltd and has approximately 10 years of experience in asset management.

Shilpi Thapar is the Independent Director of the company. She has approximately 18 years of experience in legal and corporate governance matters.

Aniket Talati is the Independent Director of the company. He has over 10 years of experience as a qualified chartered accountant.

Key Managerial Personnel

Chirag Kothari is the Chief Financial Officer of the company. He has 15 years of experience in the finance sector. He has been associated with the Company since March 2006 and was previously serving as the head of account and finance, responsible for the financing and accounting functions of the Prudent Group.

Dhaval Kumar Ghetia is the Company Secretary and Compliance Officer of the company. He has approximately 5 years of experience in the field of corporate law and secretarial matters.

OFFER DETAILS

| The Offer for Sale by the Selling Shareholders | Upto 8,549,340 Equity Shares |
|--|-------------------------------------|
| <i>Wagner – The Selling Shareholder</i> | <i>Upto 8,281,340 Equity Shares</i> |
| <i>Shirish Patel – The Selling Shareholder</i> | <i>Upto 268,000 Equity Shares</i> |

SHAREHOLDING PATTERN

| Shareholders | Pre-offer | | No. of Shares offered [^] | Post-offer | |
|---|-------------------------|---------------------------------|------------------------------------|-------------------------|---------------------------------|
| | Number of Equity Shares | % of Total Equity Share Capital | | Number of Equity Shares | % of Total Equity Share Capital |
| Promoter | 17,952,250 | 43.36% | | 17,952,250 | 43.36% |
| Promoter Group | 5,559,150 | 13.43% | | 5,559,150 | 13.43% |
| Total for Promoter & Promoter Gr | 23,511,400 | 56.78% | - | 23,511,400 | 56.78% |
| Public – Selling Shareholders | 17,866,680 | 43.15% | 8,549,340 | 9,317,340 | 22.50% |
| Public - Other | 28,600 | 0.07% | | 8,577,940 | 20.72% |
| Total for Public Shareholders | 17,895,280 | 43.22% | 8,549,340 | 17,895,280 | 43.22% |
| Total Equity Share Capital | 41,406,680 | 100.00% | 8,549,340 | 41,406,680 | 100.00% |

BUSINESS OVERVIEW

Prudent Corporate Advisory Services Limited (“**Prudent Corporate**”) 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. They offers 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 grew faster among national distributors (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. 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 2 decades. They are an independent platform with no single AMC contributing more than 15% of their AUM as of December 31, 2021.

As on December 31, 2021, their assets under management from the mutual fund distribution business (“**AUM**”) stood at ₹ 48,411.47 crore with 92.14% of their total AUM being equity oriented. Their AUM has increased from ₹16,667.75 crore as on March 31, 2018 to ₹ 48,411.47 crore as on December 31, 2021, at a CAGR of 32.83% with their equity oriented AUM increasing from ₹ 13,865.79 crore to ₹ 44,605.91 crore during the same period, at a CAGR of 36.49%. Among national distributors their market share on commission received basis has increased from around 4% in Fiscal 2015 to around 12% in Fiscal 2021. The equity AUM of ₹ 44,605.91 crore as on December 31, 2021, represented 2.39% of total equity AUM of mutual fund industry.

Incorporated in 2003, Prudent Corporate provided wealth management services to 1,351,274 unique retail investors through 23,262 MFDs on their business-to-business-to-consumer (“**B2B2C**”) platform and is 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. Further, 27.83% of their registered MFDs and 20.56% of retail investors are based out of B-30 markets, as on December 31, 2021. Owing to their large network of MFDs, they facilitate AMCs access to smaller cities, especially in the B-30 markets. As of December 31, 2021, they are associated as distributors with 42 AMCs. Their AUM from the B-30 markets was ₹2,525.03 crore representing 15.15% of the 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.

Regular plans will continue to constitute a majority share of retail MF AUM in the industry due to trends such as increasing presence of first-time investors, popularity of mutual funds as an investment product beyond the larger cities, low level of awareness of nuances across financial products amongst a large section of investors and the need for guidance from a trusted intermediary in the wake of market volatility. Further, the recent reductions in TERS have made sourcing of new business from retail investors more challenging, and AMCs will need to focus on developing alternative sourcing strategies and improving distributor management. Their pan-India presence with a network of 23,262 MFDs representing 18.46% of the industry (as of December 31, 2021) increases their value proposition for the AMCs to source business from retail investors in a cost-efficient manner.

Their technology platform has given them wider acceptability amongst MFDs in the industry. As on December 31, 2021 there were 126,000 AMFI Registration Number (“**ARN**”) holders registered with AMFI, while the number of ARNs empanelled with them stood at 23,262 representing 18.46% of the industry. 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. This has helped them to increase the number of retail investors served from

549,881 as of April 1, 2018 to 1,351,274 as of December 31, 2021. They continue to enjoy long-standing relationships with their MFDs, with more than 50.60% of their AUM as of December 31, 2021, being contributed by MFDs who are associated with them for more than 5 years. 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.

Company's retail focus has helped grow the number of systematic investment plans ("SIPs") handled by them from 0.79 million as of April 1, 2018 to 1.53 million as of December 31, 2021. Correspondingly, equity AUM from SIPs increased from ₹ 4,038.47 crore (29.08% of the total equity AUM) as of March 31, 2018 to ₹ 18,949.91 crore (42.48% of the total equity AUM) as of December 31, 2021. The monthly SIP flows as of December 31, 2021 were ₹386.70 crore providing visibility of monthly inflows for their MFDs as well as the company.

Prudent Corporate also distributes life and general insurance products in India through their wholly owned subsidiary, **Gennext**. In the 9 months ended December 31, 2021, they distributed 74,037 policies, across life and non-life insurance segments, with an aggregate premium of ₹ 161.20 crore, and total brokerage received amounting to ₹ 23.22 crore. The total number of policies distributed through them increased from 53,221 in Fiscal 2019 to 86,988 in Fiscal 2021 at a CAGR of 27.85%. Further renewal of policies constituted 71.32% of the total number of policies sold by them in the 9 months ended December 31, 2021 and allowed them to earn premium of ₹ 91.38 crore. They distribute insurance products through a mix of online and offline channels, with each contributing 34.23% and 65.77%, respectively to new policies issued in the 9 months ended December 31, 2021. Gennext recorded the highest EBITDA and PAT margin in Fiscal 2020 among insurance brokers with digital platforms and focus on point-of-sale channels.

Pursuant to the board resolution dated September 23, 2021, Prudent Corporate participated in the bidding process for the acquisition/ transfer of Karvy Stock Broking Ltd ("**KSBL**") and acquired the entire mutual fund folios/ AUM of KSBL ("**KSBL MF Folios**") for an amount of ₹151 crore. The KSBL MF Folios have been transferred to their ARN with effect from November 28, 2021.

Prudent Corporate has a professional and an experienced management team, led by their Chairman and Managing Director and Promoter, Sanjay Shah, the CEO and Director, Shirish Patel, their Director, Chirag Shah and the Chief Financial Officer, Chirag Kothari. They are supported by a qualified and motivated pool of 1,067 employees (as of September 30, 2021). Their key management personnel have experience and skills related to business operation, finance, accounts as well as experience in financial service industry. Together, they have demonstrated an ability to manage and grow their operations. Further, they have benefited from the strategic inputs and support of **Wagner Ltd, a TA group company** and a financial investor in the company since Fiscal 2019.

COMPANY BUSINESS

Financial Products – Mutual fund and other financial products distribution

Company's business primarily consists of distribution of mutual funds. They also distributes other financial products such as insurance, portfolio management schemes ("**PMS**"), alternative investment funds ("**AIF**"), corporate fixed deposits ("**FDs**"), bonds, unlisted equities, stock broking solutions, loans against securities, NPS, structured products, etc. They earn commissions from third parties for the distribution of their products, which may be in the form of recurring commissions.

Mutual Funds

The company follows an "open-source" distribution model, pursuant to which they distribute mutual funds of AMCs irrespective of their affiliation or size. As of December 31, 2021, they distributed mutual funds of 42 AMCs, providing their customers with a large selection to choose from. They provide their clients with an array of planning tools, research reports, industry reports, and historical reports to enable them to make an informed investment decision. While their clients can execute transactions through their platform Fundzbazar, they also provide an option of submitting transactions offline. They distribute mutual funds through a large network of MFDs as well as through their own dedicated relationship managers. The commissions that they receive from AMCs are linked to the assets mobilised by them.

Insurance Broking

Company's Subsidiary, **Gennext**, is registered as a direct insurance broker for life and general insurance with IRDAI and distribute insurance products offered by various life and general insurance companies in India. The brokerage that they receive on the distribution of Insurance products is linked to the premiums collected. They distribute their products through their network of 92 broker qualified persons ("**BQP**"), their platform, Policyworld, and 6,779 POSP, as of December 31, 2021.

Life Insurance

The company distributes various types of life insurance policies such as term insurance, traditional insurance, pension plans and, unit-linked insurance plans. The brokerage that they receive on the distribution of these products is linked to the premiums collected.

General Insurance

The company offers a range of general insurance products ranging from health, motor, and other retail insurance.

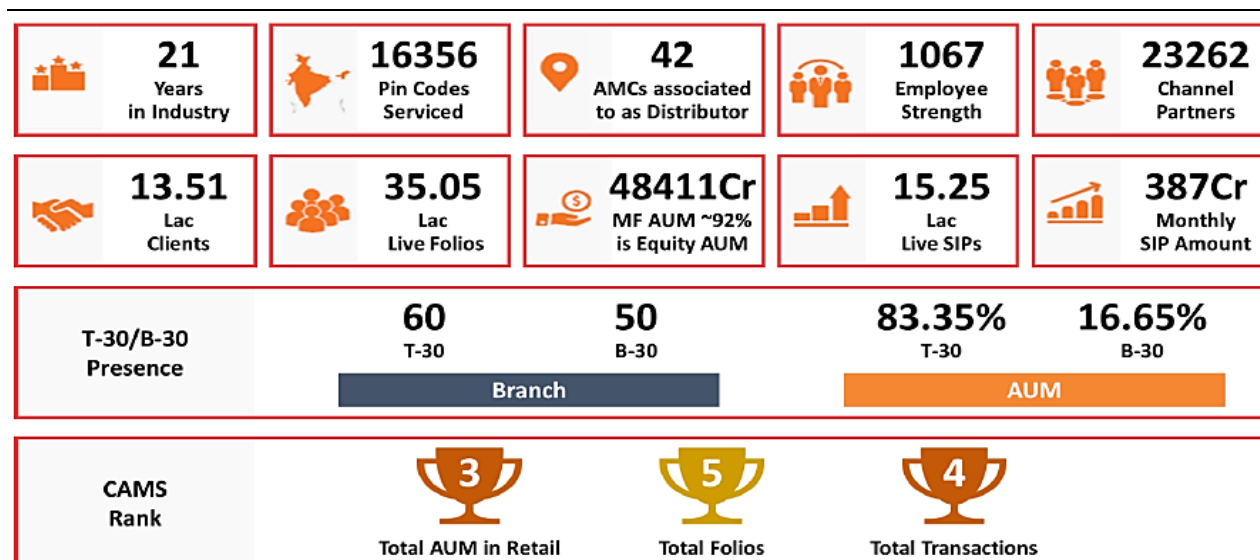
Stock Broking

Company's brokerage business primarily consists of brokerage services that they offer to retail customers and institutional clients for trading in equities, equity derivatives, currency and commodity derivatives. The company offers stock broking services either directly through their relationship managers or through authorised persons.

Other financial products

The company also distribute other products such as PMS, AIFs, FDs, bonds, unlisted equities, loans against securities, NPS, structured products etc. They earn commissions from third parties for the distribution of their products. The above products are distributed either through their own dedicated relationship managers, or through their network of MFDs.

KEY METRICS OF THE BUSINESS*



* as on December 31, 2021

Key metrics of the business verticals as on December 31, 2021:

| Vertical | Key Metrics | Technology Platform |
|---------------------|--|---|
| Mutual funds | AUM: ₹ 484,117.74million No. of investors: 1,351,274 No. of MFDs: 23,262 AUM per MFD: ₹ 20.81 million AUM per investor: ₹ 0.36 million No. of AMCs associated with: 42 | FundzBazar: Online investment platform that offers variety of investment products; PrudentConnect: Virtual office for MFDs registered with the company. |
| Insurance | Premium: ₹ 1,612.03 million No. of policies: 74,037 Average premium per policy: ₹ 0.02 million No. of life insurance companies associated with: 11 No. of general insurance companies associated with: 26 | Policyworld: Online platform which offers variety of insurance solutions |
| Broking | Cash Delivery Turnover: 37,156.36 million Active investor base: 19,814 Turnover per investor: ₹ 1.88 million Cash Intraday Turnover: 61,347.72 million Active investor base: 5,341 Turnover per investor: ₹ 11.49 million | WiseBasket: Online model stock portfolios, aligned with economic trends and offer growth opportunities PruBazar: Online platform for trading in equities |

| Vertical | Key Metrics | Technology Platform |
|----------|---|---------------------|
| | Equity Derivatives Turnover: 105,571.28 million Active investor base: 1,608 Turnover per investor: ₹ 65.65 million Other Derivatives Turnover: 42,582.78 million Active investor base: 185 Turnover per investor: ₹ 230.18 million | |

REVENUE FROM OPERATIONS:

| Category | 9 Months ended December 31, | | For the year ended March 31, | | | | | |
|--|-----------------------------|----------------|------------------------------|----------------|---------------|----------------|---------------|----------------|
| | 2021 | | 2021 | | 2020 | | 2019 | |
| | Amount (₹ Cr) | % to Total | Amount (₹ Cr) | % to Total | Amount (₹ Cr) | % to Total | Amount (₹ Cr) | % to Total |
| Total Commission and fee income: | 314.07 | 97.78% | 277.56 | 96.88% | 229.31 | 97.65% | 215.37 | 97.02% |
| - Distribution of mutual fund products | 271.39 | 84.49% | 231.29 | 80.73% | 195.59 | 83.29% | 195.70 | 88.16% |
| - Distribution of insurance products | 23.37 | 7.28% | 26.37 | 9.20% | 17.04 | 7.25% | 0.40 | 0.18% |
| - Stock broking and allied services | 15.19 | 4.73% | 16.29 | 5.69% | 13.68 | 5.82% | 16.29 | 7.34% |
| - Other financial and non-financial products | 4.12 | 1.28% | 3.61 | 1.26% | 3.01 | 1.28% | 2.98 | 1.34% |
| Interest Income | 3.15 | 0.98% | 3.30 | 1.15% | 4.78 | 2.04% | 6.48 | 2.92% |
| Net gain on fair value changes | 4.00 | 1.24% | 5.65 | 1.97% | 0.74 | 0.32% | 0.14 | 0.06% |
| Total Revenue from operations | 321.22 | 100.00% | 286.51 | 100.00% | 234.83 | 100.00% | 221.98 | 100.00% |

COMPANY PLATFORM



Fundzbazar

This is an online investment platform launched in Fiscal 2016, which offers variety of investment products, including mutual funds, national pension schemes (“NPS”), fixed deposits, loan-against-securities (“LAS”), bonds, gold accumulation plan (“GAP”) as well as stock broking solutions. This platform is aimed at providing a simple, user friendly and flexible solution to plan, choose, transact and keep a track of investments. It provides the facility for complete paperless transactions round the clock under a single login for the family through web, mobile app or Fundzbot, a chatbot engine. Some of the key features of the Fundzbazar platform include:

- Multiple product transaction and tracking from a single login.
- Research section to analyse fund performance on various parameters like comparison with peer group funds, industry research including FII/DII flow trend and AUM trends.
- Financial planning tools including risk profiling, financial calculators, goal planning and tracking, and various pre-set asset allocation combinations available for investment based on investor’s risk appetite.
- Facility to generate various Investment related reports such as portfolio valuation report, capital gain/loss report, dividend income statement, SIP/STP report, transaction report etc.

The offerings and the features of each offering:



They also provide an option to MFDs to initiate transactions on behalf of their clients, which are executed post the authorisation by the respective clients.

| Particulars | CAGR | 9 months ended Dec'31, 2021 | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|---------------------|--------|-----------------------------|-------------|-------------|-------------|
| No. of Clients | 42.69% | 424,61 | 308,036 | 231,346 | 174,585 |
| No. of Downloads | 48.92% | 381,502 | 282,226 | 211,287 | 140,970 |
| No. of Transactions | 58.79% | 4,923,173 | 3,601,761 | 2,439,409 | 1,549,508 |

PrudentConnect

PrudentConnect is a virtual office for all MFDs registered with the company which provides end-to-end support for MFDs for various processes from client acquisition to clients servicing, managing revenue tracking, assistance for scaling-up business, management of MFD's branding, and managing complete back-end processes.

Some key features which in their opinion makes PrudentConnect an important tool for MFDs, include:

- Smart dashboard to get synopsis of business;
- MFDs' employee login to track and manage employee wise business;
- Various analytical tools to help an MFD understand their business requirements of their clients and to identify business potential;
- Branding tools like marketing images, tutorial and other videos, website building tools, etc.;
- Mailback facility for automated portfolio update to clients at regular intervals.

PrudentConnect also provides a facility to allow MFDs to initiate Fundzbazar transactions for their clients. All the features of PrudentConnect can also be accessed through the mobile app "Prudent Partner Desk".

The key details regarding this platform:

| Particulars | CAGR | 9 months ended Dec'31, 2021 | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|------------------|--------|-----------------------------|-------------|-------------|-------------|
| No. of MFDs | 32.00% | 23,262 | 16,853 | 14,007 | 11,620 |
| No. of downloads | 27.56% | 51,114 | 42,117 | 35,199 | 27,812 |

Policyworld

This is an online insurance platform launched in Fiscal 2018, which offers completely paperless transactions for variety of insurance solutions based on the client's requirement and risk assessment through web as well as a mobile app, as set out below.



Some of the key features of Policyworld include:

- Ability to compare, buy and manage insurance policies of multiple insurers;
- Client login to buy/renew policies for self and family members;
- Allows clients to add, track and upload policies purchased from other agents;
- Online availability of policy copy and proposal forms;
- Online query management; and
- Claim support with status tracking.

Additionally, there is a dedicated login for POS to cater the insurance needs of their clients, which provides comparative quotes and features, transaction initiation on behalf of the clients and a POS desk for client acquisition, business tracking, client servicing, renewal tracking, and claims servicing. As of September 30, 2021, they had insurance products offered by 19 insurance companies on the Policyworld platform.

The key statistics regarding this platform:

| Particulars | CAGR (Fiscal 2019-2021) | 9 months ended Dec'31, 2021 | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|-----------------|-------------------------|-----------------------------|-------------|-------------|-------------|
| No. of Clients | 27.48% | 5,190 | 11,493 | 9,343 | 7,072 |
| No. of Policies | 28.45% | 6,236 | 13,575 | 11,410 | 8,288 |

WiseBasket

This platform was launched in Fiscal 2020, which provides an online facility to invest in multiple model stock portfolios which are aligned with economic trends and offer growth opportunities. It is a paperless platform for client on-boarding and trade execution with an option to select from various baskets created based on various themes. Clients can enter and exit the basket at will without any lock-in.

Prubazaar

This is an online trading platform, which provides the facility to the clients to buy/sell equities through web portal or mobile app. It provides pre-login market data with screeners like top gainers, losers, best 5 buy / sell orders. It gives a facility of quotes, alerts, checking order status, net positions and real time fund positions with MTM updates. Client can get access to various reports like ledger, holding, valuation reports, gain loss report, position report, research report, and contract notes.

The key statistics regarding this platform:

| Particulars | CAGR (Fiscal 2019-2021) | 9 months ended Dec'31, 2021 | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|---------------------|-------------------------|-----------------------------|-------------|-------------|-------------|
| No. of Downloads | 21.50% | 4,725 | 5,960 | 3,435 | 403 |
| No. of Transactions | 52.86% | 881,014 | 1,260,320 | 790,539 | 53,939 |

CreditBasket

This is an online credit / financing facilitation portal launched in Fiscal 2021, offering finance to customers through a wide range of retail loan products and credit card products for varying financial needs. Through their partnership with 7 leading financial institutions, including a mix of banks and NBFCs, this platform offers various products like personal loan, home loan, loan against property, business loan and credit cards. It provides an option to choose from wide range of retail loans and credit cards with end to end application processing. It also provides various tools like EMI and loan eligibility calculators.

GEOGRAPHICAL PRESENCE ACROSS INDIA



As on December 31, 2021, they had branches in 50 locations across B-30 cities with 108 relationship managers and 196 total employees at these locations.

Since March 31, 2018, they have opened branches in 38 locations, of which 22 have been opened in B-30 markets, with a calibrated and progressive approach towards branch expansion.

COMPETITIVE STRENGTHS

- **Operates 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. Retail mutual funds category posted the highest CAGR (22% over the 5 year period from March 2016 to March 2021) amongst other retail financial products category and touched approximately ₹ 17 trillion as of March 2021. 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.

Further, along with an increase in financial literacy, the relative outperformance of financial assets over recent years, and the government's efforts to fight the shadow economy, will increase the share of financial assets as a proportion of net household savings over the next 5 years.

- **The growing independent financial products distribution platforms**

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**

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 ₹ 18,949.91 crore (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 as of December 31, 2021. Further, 44.09% of their SIPs are perpetual, that is till 2099 or until cancelled and the rest have an average maturity of 17 years, demonstrating the relative stickiness of investment inflows through this route.

- **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.

Bringing ease of doing business. Helping them grow at every stage.



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%. As on December 31, 2021 there were 126,000 ARN holders registered with AMFI, while the number of ARNs empanelled with the company stood at 23,262. 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 track record of innovation and use of technology to improve investor and partner experience***

Company's experience of over 2 decades has helped them integrate their knowledge and expertise in financial product distribution with technology and provide a comprehensive business platform to partners. Over the years, they have enhanced partner engagement and experience through digitisation of processes and augmentation of technology platforms. They offer digital wealth management ("DWM") solutions through platforms, namely, FundzBazar, PrudentConnect, Policyworld, WiseBasket and CreditBasket. Each platform is designed towards providing MFDs and the retail investors a comprehensive set of financial service solutions, based on their investment needs.

- ***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***

Prudent Corporate has a track record of strong financial performance and delivering returns to shareholders. The company has a scalable and asset-light model. They have 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, they have 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 are backed by a global investor***

Company's management team has extensive experience in the financial services sector. The quality of their management team has been critical in achieving their business results and that their management's experience will help them make timely strategic and business decisions in response to evolving customer needs and market conditions. In particular, their management team has strong cross-functional expertise across business segments, product design and technology.

KEY BUSINESS STRATEGIES

- ***Intend to continue to focus on increasing geographic reach and strengthening relationships with MFDs***

The company intends to grow their geographic reach by both expanding their distribution network and deepening their existing presence. The company expects significant improvement in productivity of their branches and consider it as one of the levers for their growth in the next few years. The company intends to continue to increase their footprint across India by focusing on growing their 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.

They have added 293 relationship managers in existing branches in last 45 months. They plan to hire relationship managers capable of identifying, on-boarding and catering to their MFDs. In the 9 months ended December 31, 2021 they have added 6,409 MFDs on their platform. To service these MFDs they will continue to add quality relationship managers.

- ***To leverage the existing MFD network to distribute products and services***

The company intends to maintain the growth momentum in their financial products distribution business through their 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, they have 23,262 MFDs, while the number of point-of-sale persons (“**POSP**”) for their insurance products distribution business stood at 6,779. Of the 23,262 MFDs, 3,298 MFDs also offered insurance and other financial products to their retail customers. This presents significant opportunities to increase their point-of-sale (“**POS**”) base and to cross-sell insurance products to their existing retail investors base. They will also endeavour to cross sell insurance products through their PolicyWorld platform.

- **To continue innovating the technology platforms to provide superior experience to the MFDs and their 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. Their retail focus compels them to create platforms to cater to needs of the masses and continue to innovate in this regards. They plan to continue making investments in the IT infrastructure underlying their digital platforms to augment capacity, deliver innovative products and improve the user interface across devices.

They will continue to improve their processing speed, keep up with latest cyber-security best practices. They also aim to increase the use of technology in other parts of the business to optimise their operations, reduce costs and errors in the areas of sales, customer relationship, information security and risk management. They intend 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, there is significant potential to launch newer products and enter into newer segments. In particular, certain asset classes are underpenetrated among their customer base and they will leverage their analytics capabilities to recommend customized products for their investor base. Apart from products distribution they also wish to strengthen their research and advisory offerings to their partners and retail customers. They intend to expand the target customer base from MFDs and underlying retail customers to the high-networth individuals and affluent segments of wealth management.

INDUSTRY OVERVIEW

Mutual funds distributors AAUM

| Company | Category | Market Cap (₹ Billion) | AAUM (₹ Billion) – Fiscal 2021 | Commission (₹ Billion) – Fiscal 2021 | Commission as % of AAUM – Fiscal 2021 | Ranking by AAUM in Fiscal 2021* | Ranking by Commission Earned in Fiscal 2021* |
|--------------------------|------------------------------|------------------------|--------------------------------|--------------------------------------|---------------------------------------|---------------------------------|--|
| NJ India Invest | National Distributor | NA | 770.0 | 8.74 | 1.1% | 2 | 1 |
| ICICI Securities | Broker, National Distributor | 249.1 | 355.2 | 2.64 | 0.7% | 6 | 5 |
| Prudent Corporate | National Distributor | NA | 249.1 | 2.63 | 1.1% | 8 | 6 |
| Anand Rathi Wealth | National Distributor | NA | 111.3 | 0.99 | 0.9% | 16 | 10 |
| IIFL Wealth Management | National Distributor | 134.9 | 47.0 | 0.22 | 0.5% | 36 | 35 |
| Bajaj Capital | National Distributor | NA | 90.9 | 0.65 | 0.7% | 21 | 16 |
| JM Financial Services | Broker | 75.7 | 107.6 | 0.59 | 0.5% | 17 | 18 |

* Ranking compared to all MF distributors

Trend in 5-Year Player Performance of AAUM and commission paid

| Company | AAUM (5-Year CAGR Ending Fiscal 2021) | Commission (5-Year CAGR Ending Fiscal 2021) | 5-Year Average ending fiscal 2021 (Commission as % of AAUM) |
|--------------------------|---------------------------------------|---|---|
| NJ India Invest | 26.3% | 21.8% | 1.3% |
| ICICI Securities | 17.3% | 18.9% | 0.9% |
| Prudent Corporate | 32.5% | 34.4% | 1.2% |
| Anand Rathi Wealth | NA | NA | NA |
| IIFL Wealth Management | (29.1)% | (31.2)% | 0.6% |
| Bajaj Capital | 6.4% | 6.4% | 0.8% |
| JM Financial Services | (8.2)% | 2.1% | 0.5% |

Peer comparison basis different financial metrics

| Company | Revenue (4-Year CAGR ending Fiscal 2021) | Operating Margin(%) 3 Year Average Ending Fiscal 2021 | PAT Margin (%) 3 Year Average Ending Fiscal 2021 | Employee Cost as % of Revenue 3 Year Average Ending Fiscal 2021 |
|--------------------------|--|---|--|---|
| NJ India Invest | 3.4% | 22.3% | 15.1% | 16.7% |
| ICICI Securities | 11.6% | 39.8% | 33.6% | 28.6% |
| Prudent Corporate | 8.4% | 20.4% | 12.4% | 19.5% |
| Anand Rathi Wealth | 7.7% | 32.1% | 18.3% | 50.1% |
| IIFL Wealth Management | (1.1)% | 57.9% | 19.7% | 23.3% |
| Bajaj Capital | 23.5% | 1.8% | (0.7)% | 33.8% |
| JM Financial Services | 1.7% | 25.7% | 5.6% | 34.8% |

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

| Name of Company | Consolidated / Standalone | Face Value | Total Income for FY 2021 (₹ Cr) | Closing Price [^] | (EPS (Basic) | NAV | P/E | RoNW (%) | Market Capitalisation [^] (₹ Cr) |
|--|---------------------------|------------|---------------------------------|----------------------------|--------------|--------------|--------------|---------------|---|
| Prudent Corporate Advisory Services Ltd | Consolidated | 5 | 294.90 | NA | 10.96 | 38.13 | [•] | 28.73% | [•] |
| Listed Peer | | | | | | | | | |
| IIFL Wealth Management Ltd | Consolidated | 2 | 1,659.02 | 1,750.00 | 42.24 | 321.77 | 41.9 | 13.06% | 15,523.87 |
| ICICI Securities Ltd | Consolidated | 5 | 2,586.17 | 597.05 | 33.14 | 56.55 | 18.0 | 5.86% | 19,265.53 |
| CDSL Ltd | Consolidated | 10 | 400.63 | 1,431.85 | 19.17 | 88.04 | 74.7 | 21.88% | 14,962.83 |
| Computer Age Management Co Ltd | Consolidated | 10 | 735.26 | 2,620.00 | 42.08 | 105.73 | 62.5 | 39.80% | 12,812.71 |
| HDFC Asset Management Co Ltd | Consolidated | 5 | 2,201.74 | 2,044.00 | 62.28 | 224.28 | 32.9 | 27.76% | 43,594.14 |
| Nippon Life India Asset Management Ltd | Consolidated | 10 | 1,419.34 | 326.60 | 11.04 | 50.29 | 30.0 | 21.91% | 20,316.34 |
| UTI Asset Management Co Ltd | Consolidated | 10 | 1,198.63 | 949.00 | 38.97 | 255.31 | 24.4 | 15.27% | 12,047.46 |

Source: RHP; [^]Closing market price and Market Capitalisation –BSE and NSE (as on April 22, 2022).

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