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## Initial Public Offer of Prudent Corporate Advisory Services Limited

**Issue Opens on: May 10, 2022 | Issue Closes on: May 12, 2022**

**Price Band – ₹. 595 to ₹. 630 per equity share**

**The Floor Price is 119 times the face value of the Equity Shares and the Cap Price is 126 times the face value of the Equity Shares**

**Minimum Bid Lot of 23 shares; Bids in multiples of 23 shares thereafter**

Initial Public Offer of up to 8,549,340 equity shares of face value of ₹ 5 each (the “Equity Shares”) of Prudent Corporate Advisory Services Limited (“Company”) for cash at a price of ₹ 630\* per equity share (including a share premium of ₹ 625 per equity share) aggregating to ₹ 5,379\* million (the “Offer”) comprising an Offer for Sale of up to 8,281,340 equity shares aggregating to ₹ 5,211 million by Wagner Limited (“Wagner”) and up to 268,000 equity shares aggregating to ₹ 169 million by Shirish Patel (together with Wagner, the “Selling Shareholders”). This offer includes a reservation of up to 1,13,835 equity shares aggregating to up to ₹ 65.00 million for purchase by eligible employees (the “Employee Reservation Portion”). The offer less the employee reservation portion is hereinafter referred to as the “Net Offer”.

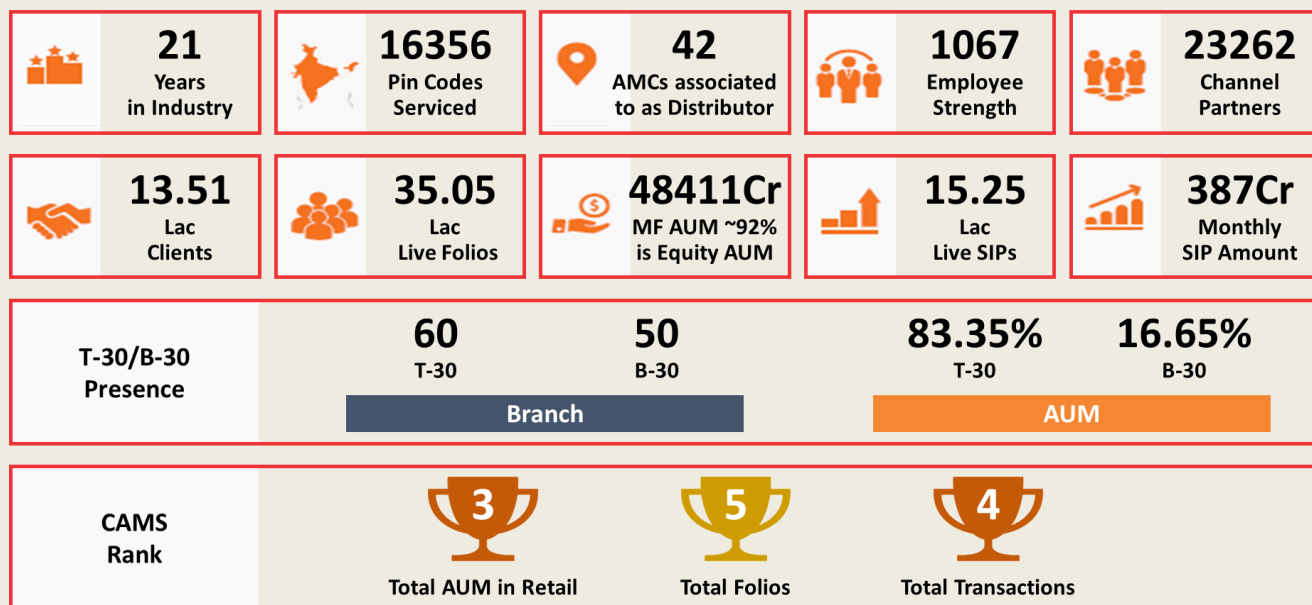
\* At upper price band

### Overview of the Company

#### Business Overview

- Prudent is an independent retail wealth management services group in India and are amongst the top mutual fund distributors in terms of average assets under management (“AAUM”) and commission received (Source: CRISIL Report).
- 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**.
- It 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 five year period ending Fiscal 2021. (Source: CRISIL Report)
- As on December 31, 2021, Company’s assets under management from the mutual fund distribution business (“AUM”) stood at ₹ 484,114.74 million with **92.14%** of total AUM being **equity oriented**.
- AUM has increased from ₹ 166,677.52 million as on March 31, 2018 to ₹ 484,114.74 million as on December 31, 2021, at a CAGR of **32.83%** with equity oriented AUM increasing from ₹ 138,657.92 million to ₹ 446,059.12 million during the same period, at a CAGR of **36.49%**
- Among national distributors its market share on commission received basis has increased from around **4% in Fiscal 2015 to around 12% in Fiscal 2021**.
- Its equity AUM of ₹ 446,059.12 million as on December 31, 2021, represented 2.39% of total equity AUM of mutual fund industry
- Incorporated in 2003, it provides wealth management services to **13,51,274** unique retail investors through **23,262** MFDs on its 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, there were **126,000** AMFI Registration Number (“**ARN**”) holders registered with AMFI, while the number of ARNs empanelled with it stood at **23,262** representing **18.46%** of the industry
- Its retail focus has helped grow the number of systematic investment plans (“**SIPs**”) handled by it 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 ₹ 40,384.66 million (representing **29.08%** of total equity AUM) as of March 31, 2018 to ₹ 189,499.09 million (representing 42.48% of total equity AUM) as of December 31, 2021
- **Monthly SIP flows** as of December 31, 2021 were ₹ 3,866.96 million providing visibility of monthly inflows for its **MFDs** as well as the Company.
- It also distributes life and general insurance products in India through its wholly owned subsidiary, **Gennext**.
  - In the nine months ended December 31, 2021, it distributed 74,037 policies, across life and non-life insurance segments, with an aggregate premium of ₹ 1,612.03 million, and total brokerage received amounting to ₹ 232.22 million
  - Gennext recorded the **highest EBITDA and PAT margin** in Fiscal 2020 among **insurance brokers with digital platforms** and focus on **point-of-sale channels**. (Source: CRISIL Report)
- Company has a professional and an experienced management team, led by **Chairman and Managing Director and Promoter, Mr. Sanjay Shah**, its CEO and Director, Mr. Shirish Patel, its Director, Mr. Chirag Shah and Chief Financial Officer,

Mr. Chirag Kothari who are supported by a qualified and motivated pool of 1,067 employees (as of December 31, 2021)


**Platforms**

Financial Products	Partner Platform	Insurance
<b>FUNDZ BAZAR</b> @invest Anytime, Anywhere <a href="http://www.fundzbazar.com">www.fundzbazar.com</a>	<b>PrudentConnect</b> Partnership for Growth <a href="http://www.prudentconnect.com">www.prudentconnect.com</a>	<b>Policyworld</b> .com All Insurance One umbrella <a href="http://www.policyworld.com">www.policyworld.com</a>
Model Stock Portfolio	Stock Trading App	Loan
<b>WiseBasket</b> Pre-Researched Stock Portfolio <a href="http://www.wisebasket.com">www.wisebasket.com</a>	<b>PRUBAZAR</b> MOBILE TRADING APP	<b>CreditBasket</b> Loan Lena Ab Aasaan! <a href="http://www.creditbasket.com">www.creditbasket.com</a>

**Key Financial Information**

Particulars	For the nine months ended December 31, 2021	Percentage of total revenue from operations	For the year ended March 31, 2021	Percentage of total revenue from operations	For the year ended March 31, 2020	Percentage of total revenue from operations	For the year ended March 31, 2019	Percentage of total revenue from operations
Total Commission and fee income from:	3140.71	97.78%	2,775.58	96.88%	2,293.11	97.65%	2,153.68	97.02%
Distribution of mutual fund products	2713.88	84.49%	2,312.93	80.73%	1,955.87	83.29%	1,956.98	88.16%
Distribution of insurance products	233.69	7.28%	263.65	9.20%	170.35	7.25%	4.03	0.18%
Stock broking and allied services	151.92	4.73%	162.94	5.69%	136.76	5.82%	162.86	7.34%

Other financial and non-financial products	41.22	1.28%	36.06	1.26%	30.13	1.28%	29.81	1.34%
Interest Income	31.52	0.98%	33.03	1.15%	47.81	2.04%	64.80	2.92%
Net gain on fair value changes	39.98	1.24%	56.46	1.97%	7.41	0.32%	1.36	0.06%
<b>Total Revenue from operations</b>	<b>3212.21</b>	<b>100.00%</b>	<b>2,865.07</b>	<b>100.00%</b>	<b>2,348.33</b>	<b>100.00%</b>	<b>2,219.84</b>	<b>100.00%</b>
Profit before exceptional items and tax	776.92	24.19%	605.24	21.12%	374.34	15.94%	305.71	13.77%
Profit after tax	576.28	17.94%	452.97	15.81%	278.53	11.86%	210.19	9.47%

**Strengths**

- Company operates in an underpenetrated Indian asset management industry, that has grown at a CAGR of more than 20%
  - The Indian retail financial products distribution industry grew at a CAGR of approximately 10% over March 2016 to March 2021 and touched ₹ 161 trillion as of March 2021.
  - Retail mutual funds category posted the highest CAGR (22% over the five year period from March 2016 to March 2021) amongst other retail financial products category and touched approximately ₹ 17 trillion as of March 2021. (Source: CRISIL Report)
  - Mutual fund AUM as a percentage of GDP grew from 4.3% in Fiscal 2002 to approximately 16% as on June 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 significantly low compared to 89% in the US, 78% in Canada, 50% in the UK, and 30% in Brazil. (Source: CRISIL Report)
- Company is one of the largest and fastest growing financial products distribution platforms
  - Company's AAUM has grown at a CAGR of 32.5% to ₹ 249,100 million in the five 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 (Source: CRISIL Report)
  - As per AMFI's Commission Report of 2020-21, banks and national distributors are dominant in the mutual fund distribution industry, together accounting for ₹ 6.55 trillion of AAUM in Fiscal 2021
  - Company 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 five year period ending Fiscal 2021 (Source: CRISIL Report)
- Company has a granular retail AUM with a mix skewed towards high-yield equity AUM
  - As of December 31, 2021, it had an AUM of ₹ 484,114.74 million and were among the top mutual fund distributors on AAUM basis. Of this equity AUM stood at ₹ 446,059.12 million as of December 31, 2021
  - In equity AUM, the share of individual AUM in the under > 24-month bucket witnessed a sharp increase of 8% percentage points from March 2016 to September 2021. (Source: CRISIL Report)
  - As of December 31, 2021, it provided wealth management services to 13,51,274 unique retail investors, through 23,262 MFDs
  - The number of live SIPs on its platform being 1.53 million as of December 31, 2021, with the corresponding equity AUM from SIPs standing at ₹ 189,499.09 million (representing 42.48% of 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
  - 47.09% of its 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
  - 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 total AUM being equity oriented
- Its value proposition has led to increased participation and long-standing relationship with MFDs
  - It offers a comprehensive multi-product investment platform with end-to-end solutions critical for financial products distribution.
  - Its offerings for MFDs include various technology platforms for them as well as for their retail investors, with continuous support through 59 member in-house technology and 55 member back-office service team
  - Company has been successful in growing MFD network from 8,378 as on March 31, 2018 to 23,262 as on December 31, 2021 at a CAGR of 31.24%
  - MFD base is well-diversified, with top 50 MFDs (by AUM) contributing only 8.52% of total AUM, as of December 31, 2021
- Company has a track record of innovation and use of technology to improve investor and partner experience
  - Company believes its experience of over two decades has helped integrate its knowledge and expertise in financial

- product distribution with technology and provide a comprehensive business platform to partners
- Its technology solutions helps its partners to increase their focus on their core competence of managing clients without a need to make significant investments in operational infrastructure
- Offer digital wealth management (“DWM”) solutions through platforms :



- Company believes that the simplicity and user-friendly nature of platform enables to attract more MFDs to the platform, with addition of 18,915 MFDs during the period from April 1, 2016 till December 31, 2021, at a CAGR of 33.83%
- Company has a pan-India diversified distribution network with ability to expand into underpenetrated B-30 markets
  - Company believes it 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
  - As per AMFI, the share of AUM contributed by B-30 markets to the mutual fund industry increased to 16.45% in September 2021 from 15.53% in March 2014, illustrating the increasing importance of higher-growth B-30 cities
  - AUM from the B-30 markets was ₹ 25,250.34 million representing 15.15% of total AUM as of March 31, 2018 and has grown as a CAGR of 36.20% to ₹ 80,586.23 million representing 16.65% of total AUM as of December 31, 2021. (Source: CRISIL Report)
  - Further, 27.83% of its registered MFDs were based out of B-30 markets as on December 31, 2021
  - As on December 31, 2021, it had branches in 50 locations across B-30 cities with 108 relationship managers and 196 total employees at these locations
  - Since March 31, 2018, company has opened branches in 38 locations, of which 22 have been opened in B-30 markets, with a calibrated and progressive approach towards branch expansion
- Company has a demonstrated a consistent track record of profitable growth due to a highly scalable, asset-light and cash generative business model

Particulars	For the nine months ended December 31, 2021	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
Commission and fee income from distribution of mutual fund products	2713.88	2,312.93	1,955.87	1,956.98
Y-o-y growth	-	18.26%	(0.06)%	-
Total revenue from operations	3212.21	2,865.07	2,348.33	2,219.84
Y-o-y growth	-	22.00%	5.79%	-
EBITDA	814.96	619.10	466.71	382.05
EBITDA margin	25.37%	21.61%	19.87%	17.21%
PAT	576.28	452.97	278.53	210.19
PAT margin	17.94%	15.81%	11.86%	9.47%
ROCE	26.83%	28.73%	24.75%	25.30%
Cash flow from operations	505.80	577.22	502.78	123.20
Cash flow from operations / EBITDA	62.06%	93.24%	107.73%	30.71%

- Company believes it is a scalable and asset-light model.
- It has focused on managing costs by using a technology-led business model
- Company has an experienced management team and are backed by a global investor
  - Chairman and Managing Director and Promoter, Mr. Sanjay Shah has over two decades of experience in the financial services industry.

	<ul style="list-style-type: none"> <li>○ Further, CEO and Director, Mr. Shirish Patel, Director, Mr. Chirag Shah and Chief Financial Officer, Chirag Kothari each have experience of more than 15 years and are supported by a qualified and motivated pool of 1,067 employees (as of December 31, 2021)</li> <li>○ Company has benefited from the strategic inputs and support of marquee financial investor, Wagner, a member of TA Associates, a global investment fund</li> </ul>
<b>Strategies</b>	<p>Company intends to -</p> <ul style="list-style-type: none"> <li>• continue to focus on increasing geographic reach and strengthening relationships with MFDs</li> <li>• leverage its existing MFD network to distribute products and services</li> <li>• continue innovating its technology platforms to provide superior experience to its MFDs and their clients</li> <li>• add new offerings to its existing portfolio</li> </ul>
<b>Objects of the Offer</b>	<p>The objects of the Offer are to</p> <ul style="list-style-type: none"> <li>(i) to carry out the Offer for Sale; and</li> <li>(ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges.</li> </ul> <p>Further, Company expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to its Shareholders and will also provide a public market for the Equity Shares in India</p>

Investors are requested to refer to the Red Herring Prospectus (available at <https://www.icicisecurities.com/Upload/ArticleAttachments/Prudent%20Corporate%20Advisory%20Services%20Limited%20RHP.pdf> ) dated May 2, 2022 for details regarding the Offer, the Company and the risk factors before taking any investment decision.