

## Prudent Corporate Advisory Services Limited

**Prudent Corporate Advisory Services Limited, founded in 2003, specializes in retail wealth management. Mutual Funds, Life and General Insurance, Stock Broking, SIP with Insurance, Gold Accumulation Plan, Asset Allocation, and Trading Platforms are all available through the organization. Prudent Corporate Advisory Services provides investment and financial services platforms for the online and offline distribution of financial goods. As of FY21, Prudent Corporate Advisory Services is one of the top ten mutual fund distributors in terms of average assets under management (AUM). The company has established a countrywide network that currently serves 16,356 pin codes and are spread across 110 locations in 20 State.**

**Positives:** (a) Company operates in an underpenetrated Indian asset management industry that has grown at a CAGR of more than 20%. (b) Growing independent financial products distribution platforms. (c) The company have a granular retail AUM with a mix skewed towards high-yield equity AUM. (d) The company have a track record of innovation and use of technology to improve investor and partner experience.

**Investment concerns:** (a) Company operate in a highly regulated environment. (b) Any adverse impact to their clients' portfolio could have a negative impact on company reputation, business and results of operations. (c) Failure to keep pace with technological developments and innovation. (d) Systems failures and resulting interruptions in the availability of its platform.

**Outlook & Valuation:** Prudent Advisory has grown its AUM at a CAGR of 32.8% between Mar 2018 and Dec 2021. Moreover the company has grown its revenues and profits at a CAGR of 13.6% and 46.8% between FY2019 and FY2021 despite the adverse impact of Covid-19. For 9MFY2022 Prudent has reported revenues of ₹321.2 crore while net profits at ₹57.6 crore has already surpassed FY2021PAT of ₹45.3 crore. At the higher end of the price band Prudent will be trading at P/E multiple of 34.0x its annualized EPS for 9MFY2022 as compared to Anand Rathi which is trading at 20.5x FY2022 earnings. We believe that prudent has a very strong retail focused business model which provides them with a distinct competitive advantage and will be difficult to replicate. However valuations are on the higher side as compared to peers which will limit gains in the near term and hence we have a NEUTRAL recommendation on the IPO.

### Key Financials

Y/E March (₹ cr)	FY'19	FY'20	FY'21	9M FY'22
Net Sales	222.0	234.8	286.5	321.2
% chg	-	5.8	22.0	-
<b>Net Profit</b>	<b>21.0</b>	<b>27.9</b>	<b>45.3</b>	<b>57.6</b>
% chg	-	32.5	62.6	-
EBITDA (%)	16.8	20.4	22.3	25.3
<b>EPS (Rs)</b>	<b>5.1</b>	<b>6.7</b>	<b>11.0</b>	<b>13.9</b>
P/E (x)	124.1	93.7	57.6	-
P/BV (x)	31.4	23.2	16.5	-
ROE (%)	25.3	24.8	28.7	-
ROCE (%)	25.5	29.9	31.3	-
EV/Sales	11.6	10.7	8.6	-

Source: Company RHP, Angel Research

Please refer to important disclosures at the end of this report

## NEUTRAL

Issue Open: May 10, 2022

Issue Close: May 12, 2022

### Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹ 20.7 cr

Offer for Sale: ₹ 508.7 - 538.6 cr

Fresh issue: ₹0 cr

Post Eq. Paid up Capital: ₹ 20.7 cr

Issue size (amount): ₹ 508.7 - 538.6 cr

Price Band: ₹595 - ₹630

Lot Size: 23 shares and in multiple thereafter

Post-issue mkt. cap: \* ₹2,463.7 cr - \*\* ₹2,608.6 cr

Promoters holding Pre-Issue: 56.78%

Promoters holding Post-Issue: 56.78%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	56.8%
Public – Selling S/h	22.5%
Public -Others	20.7%

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## Company background

Prudent Corporate Advisory Services Limited (“Prudent Corporate”) was incorporated on June 4, 2003. It has 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. It 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. 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.

## Issue details

The IPO is entirely made up of offer for sale of 8,549,340 equity shares aggregate upto ₹538.61cr.

### Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	1,79,52,250	43.4	1,79,52,250	43.4
Promoter Group	55,59,150	13.4	55,59,150	13.4
<b>Total for Promoter &amp; Promoter Gr</b>	<b>2,35,11,400</b>	<b>56.8</b>	<b>2,35,11,400</b>	<b>56.8</b>
Public – Selling Shareholders	1,78,66,680	43.1	93,17,340	22.5
Public - Other	28,600	0.1	85,77,940	20.7
<b>Total for Public Shareholders</b>	<b>1,78,95,280</b>	<b>43.2</b>	<b>1,78,95,280</b>	<b>43.2</b>
<b>Total Shareholding</b>	<b>4,14,06,680</b>	<b>100.0</b>	<b>4,14,06,680</b>	<b>100.0</b>

Source: Company, Angel Research

## Objectives of the Offer

- To carry out the Offer for Sale of 8,549,340 equity shares aggregate upto ₹538.61cr.
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

## Key Management Personnel

**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 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. Prior to this role, he has worked with Leading Edge, ICICI Bank Limited, ICICI Capital Services Limited and Citibank, N.A., India and has approximately 22 years of experience in wealth management.

**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 previously been associated with National Securities Depository Limited and has approximately 17 years of experience across the insurance and compliance sectors.

**Dhiraj Poddar** is a Non-executive Director of the Company, a nominee director of Wagner on the 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.

**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 has over three decades of experience in the insurance sector.

## Financial Summary Income Statement

Y/E March (₹ cr)	FY'19	FY'20	FY'21	9M FY'22
Total operating income	222.0	234.8	286.5	321.2
% chg	-	5.8	22.0	-
Total Expenditure	184.8	187.0	222.6	239.8
Commission and Fees Expense	125.0	120.5	153.1	176.9
Employee Benefit Expenses	43.2	48.9	55.5	48.3
Other Expenses	16.6	17.6	14.0	14.6
<b>EBITDA</b>	<b>37.2</b>	<b>47.9</b>	<b>63.9</b>	<b>81.4</b>
% chg	-	28.6	33.6	-
(% of Net Sales)	16.8	20.4	22.3	25.3
Depreciation & Amortization	7.6	7.9	8.1	8.7
<b>EBIT</b>	<b>29.6</b>	<b>39.9</b>	<b>55.8</b>	<b>72.7</b>
% chg	-	34.8	39.9	-
(% of Net Sales)	13.3	17.0	19.5	22.6
Finance costs	3.1	2.7	1.7	1.9
Other income	3.1	1.4	8.4	6.8
Impairment on Financial Instruments	-1.0	1.2	2.0	-0.1
<b>Recurring PBT</b>	<b>30.6</b>	<b>37.4</b>	<b>60.5</b>	<b>77.7</b>
% chg	-	22.4	61.7	-
Exceptional item	1.9	-	-	-
Tax	7.6	9.6	15.2	20.1
<b>PAT</b>	<b>21.0</b>	<b>27.9</b>	<b>45.3</b>	<b>57.6</b>
% chg	-	32.5	62.6	-
(% of Net Sales)	9.5	11.9	15.8	17.9
Basic & Fully Diluted EPS (Rs)	5.1	6.7	11.0	13.9

Source: Company, Angel Research

## Balance Sheet

Y/E March (₹ cr)	FY'19	FY'20	FY'21	9M FY'22
<b>Sources of Funds</b>				
Equity Share Capital	1.0	1.0	1.0	20.7
Other equity (Retained Earning)	82.1	111.5	156.6	194.1
<b>Shareholders' Funds</b>	<b>83.1</b>	<b>112.5</b>	<b>157.6</b>	<b>214.8</b>
Total Loans	22.9	7.8	2.6	33.0
Other liabilities	10.2	13.1	18.2	10.0
<b>Total Liabilities</b>	<b>116.1</b>	<b>133.3</b>	<b>178.5</b>	<b>257.8</b>
<b>APPLICATION OF FUNDS</b>				
Property, Plant and Equipment	16.9	17.9	16.6	16.2
Right-of-use Asset	6.9	9.1	9.3	12.2
Other Intangible assets	0.5	0.4	0.4	148.7
Current Assets	165.6	162.5	252.0	191.7
Investments	7.2	6.2	20.6	32.6
Trade Receivables	77.6	39.5	68.3	87.6
Cash and cash equivalents	54.2	80.6	99.3	32.2
Bank balances other than above	11.8	16.7	39.9	20.8
Loans	0.5	0.9	0.5	0.5
Other Financial Assets	12.7	14.6	10.3	11.6
Other Current Assets	1.5	4.0	13.1	6.4
Current Liability	77.1	62.7	106.4	129.5
Net Current Assets	88.5	99.8	145.6	62.2
Other Non-Current Asset	3.4	6.1	6.5	18.6
<b>Total Assets</b>	<b>116.1</b>	<b>133.3</b>	<b>178.5</b>	<b>257.8</b>

Source: Company, Angel Research

### Cashflow Statement

Y/E March (₹ cr)	FY'19	FY'20	FY'21	9M FY'22
Operating profit before WC changes	81.4	61.1	45.9	40.2
Net changes in working capital	-12.2	11.4	15.2	-14.9
Cash generated from operations	69.2	72.4	61.0	25.3
Direct taxes paid (net of refunds)	-18.6	-14.7	-10.8	-13.0
<b>Cash flow from operating activities</b>	<b>50.6</b>	<b>57.7</b>	<b>50.3</b>	<b>12.3</b>
Sale/(Purchase) of PP&E	-152.5	-1.7	-3.5	-4.4
Bank deposits	19.0	-23.2	-5.5	0.4
Acquisition of Subsidiary	0.0	0.0	-2.3	-0.4
Acquisition of NCI in Subsidiary	0.0	0.0	0.0	-3.2
Net Purchase of Investments	-6.1	-6.8	1.9	19.0
Dividend received	0.0	0.0	0.0	0.4
Interest Income	0.7	4.0	4.6	0.9
<b>Cash Flow from Investing</b>	<b>-138.8</b>	<b>-27.7</b>	<b>-4.8</b>	<b>12.8</b>
Loan Taken/(Repayment)	30.4	-5.1	-15.1	0.8
Proceeds from Preference Shares	0.0	0.0	0.0	0.9
Share Issue Expense	-3.4	0.0	0.0	0.0
Interest Paid	-1.9	-1.7	-2.7	-3.1
Dividend paid	-0.3	-0.3	-0.3	-5.5
Lease Payments	-3.6	-4.3	-4.0	-2.6
<b>Cash Flow from Financing</b>	<b>21.1</b>	<b>-11.4</b>	<b>-22.1</b>	<b>-9.4</b>
Inc./(Dec.) in Cash	-67.1	18.7	23.4	15.7
<b>Opening Cash balances</b>	<b>99.33</b>	<b>80.64</b>	<b>54.22</b>	<b>38.21</b>
<b>Closing Cash balances</b>	<b>32.2</b>	<b>99.3</b>	<b>77.7</b>	<b>53.9</b>

Source: Company, Angel Research

### Key Ratios

Y/E March (₹ cr)	FY'19	FY'20	FY'21	9M FY'22
<b>Valuation Ratio (x)</b>				
P/E (on FDEPS)	124.1	93.7	57.6	-
P/CEPS	91.1	72.9	48.8	-
P/BV	31.4	23.2	16.5	-
EV/Sales	11.6	10.7	8.6	-
<b>Per Share Data (Rs)</b>				
EPS (Basic)	5.1	6.7	10.9	-
EPS (fully diluted)	5.1	6.7	10.9	-
Cash EPS	6.9	8.6	12.9	-
Book Value	20.1	27.2	38.1	51.9
<b>Returns (%)</b>				
ROE	25.3	24.8	28.7	26.8
ROCE	25.5	29.9	31.3	28.2

Source: Company, Angel Research;

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