

**Stock Details**

|                      |             |
|----------------------|-------------|
| BSE code             | 507864      |
| BSE ID               | PIONRINV    |
| Face value (₹)       | 10          |
| No of shares (m)     | 12.3        |
| 52 week H/L          | 42.05/13.01 |
| Market cap (₹ m)     | 225.6       |
| 30 days avg vol (No) | 1,865       |
| Free float (₹m)      | 107.7       |

**Stock performance (%)**

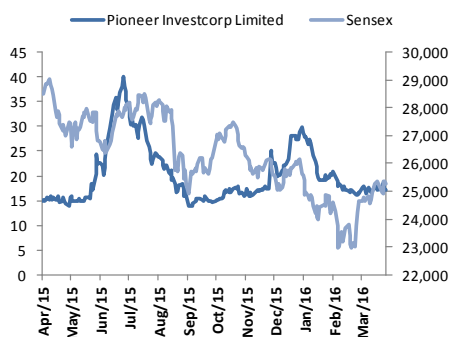
|                | 1M    | 3M      | 12M    |
|----------------|-------|---------|--------|
| Absolute       | 6.50% | -40.17% | 14.67% |
| Rel. to Sensex | 0.2%  | -36.8%  | 25.2%  |

**Shareholding Pattern\* (%)**

| Promoters | FII  | DII  | Others |
|-----------|------|------|--------|
| 52.2%     | 0.0% | 0.0% | 47.79% |

\*As of December 2015

**Relative Chart**



Source: Bloomberg

**Company Overview**

Pioneer Investcorp Ltd. (PINC) is an integrated mid-market focused financial services company engaged in the business of offering wide range of services, including investment banking, institutional securities trading and insurance & reinsurance advisory services.

**Industry Overview**

India's diversified financial services sector is witnessing swift expansion, both in terms of strong growth of incumbent financial services firms and new players entering the market. Capital markets, commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities constitutes to financial services sector. According to the India Brand Equity Foundation it's been noticed that the country's gross domestic savings (GDS) as a percentage of Gross Domestic Product (GDP) has remained above 30 per cent since 2004 and it is expected to reach \$1,272 billion by 2019.

**Financial Performance**

- ✓ Pioneer Investcorp Ltd Limited revenues from operations for FY'15 fell 3.3% to ₹258.7 million compared to ₹267.4 million in the previous year.
- ✓ The company has reported a net profit of ₹84.3 million in FY'15, representing 167.9% gain when compared to the loss of ₹124.1 million in FY'14.
- ✓ On Q-o-Q basis Pioneer Investcorp Ltd revenues increased 2.7% to ₹49.88 million in Q3'16 from ₹48.59 million in Q3'15.

**Table1: Key Financials**

| (Y/e March)    | FY 13  | FY 14   | FY 15  | 3Q FY15 | 3Q FY 16 |
|----------------|--------|---------|--------|---------|----------|
| Sales (₹ m)    | 262.2  | 267.4   | 258.7  | 48.59   | 49.88    |
| YoY Growth (%) | -30.9% | 2.0%    | -3.3%  | -35.3%  | 2.7%     |
| EBITDA (₹ m)   | 122.2  | -23.5   | 176.7  | 22.18   | 17.29    |
| EBITDA Margin  | 46.6%  | NM      | 68.3%  | 45.6%   | 34.7%    |
| PAT (₹ m)      | 28.2   | (124.1) | 84.3   | 2.64    | 1.76     |
| EPS (₹)        | 2.29   | (10.09) | 6.85   | 0.21    | 0.14     |
| YoY Growth (%) | -28.9% | -540.6% | 167.9% | -64.4%  | -33.3%   |

Source: Company, Karvy Investment Advisory

**\*Auditors opinion; Unqualified**

Qualified; When auditors have concerns about accounting treatment of financial items.

Unqualified; When auditors find accounting treatment of financial items is in compliance with respect to accounting standards.

## Background and Business Description

Pioneer Investcorp Ltd. (PINC) is founded in 1985 and engaged in the business of offering wide range of services, including investment banking, institutional securities trading and insurance & reinsurance advisory services. The company has wide experience and in-depth knowledge of local markets, which enables it to provide innovative solutions to the various needs of clients. PINC serve clients across the globe for their India centric and overseas business needs.

## Key Strengths

- ✓ Strong relationships with clients
- ✓ Rich domain expertise

## Risks & Concerns

- ✓ Intense competition
- ✓ Economic slowdown

## Board of Directors

Table 2: Composition of Board

| Name             | Relation with Company  |
|------------------|------------------------|
| Mr. G. M. Gandhi | Managing Director      |
| Mr. C. C. Dalal  | Non-Executive Director |
| Mr. A. B. Desai  | Non-Executive Director |

Source: Company

## Industry Overview

India's financial services sector has been an important contributor to the country's gross domestic product (GDP) accounting for nearly 6 per cent share in 2014-15. It consists of the capital markets, insurance sector and non-banking financial companies (NBFCs). As per a joint report by KPMG-CII, the country is projected to become the fifth largest banking sector globally by 2020.

The Government of India has implemented several reforms to liberalize, regulate and enhance this industry. The Government and the Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for micro, small and medium enterprises (MSMEs). These measures include launching credit guarantee fund scheme for micro and small enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). The combined support from both government and private sector is paving the way for India to prevail as one of the world's most vibrant capital markets.

According to India Brand Equity Foundation, the asset management industry in India is deemed to be one among the fastest growing industries in the world. Total assets under management (AUM) of the mutual fund industry grew at a robust compound annual growth rate (CAGR) of 12.05% over FY07-15 to reach \$179.6 billion. Corporate investors hold around 45.9% of total AUM in India, while high net worth individuals (HNWI) and retail investors' accounts for 28.6% and 22.9%, respectively. In recent years, the India's equity market turnover has witnessed a significant increase. The annual turnover value on the National Stock Exchange (NSE) clocked a CAGR of 20.7% between FY'96 – FY'15 to reach \$718 billion. It is also noted that there have been about 360 million insurance policies already in place and expects the policies to witness a compounded annual growth rate (CAGR) of 12-15% over the next five years to touch \$350-400 billion by 2020, India's life insurance sector is the biggest in the world.

India's IPO market has not shown many success stories during the past four years. The company believes that the vision of the new NDA government in the centre would boost the capital markets and provide impetus to manufacturing sector through "make in India" campaign, which would provide near term opportunities to PINC.

## Competition analysis

| Company                   | CMP (₹) | Mcap (₹ m) | Rev (₹m) | OPM (%) | EPS (₹) | PE (x) |
|---------------------------|---------|------------|----------|---------|---------|--------|
| Pioneer Investcorp Ltd    | 18.3    | 225.6      | 258.7    | 68.3%   | 6.9     | 2.7    |
| Smifs Capital Markets Ltd | 24.6    | 137.1      | 341.4    | 4.1%    | 1.7     | 15.4   |
| Swastika Investmart Ltd.  | 40.1    | 120.5      | 217.5    | 28.8%   | 8.2     | 4.9    |

Source: BSE

## Financial Analysis

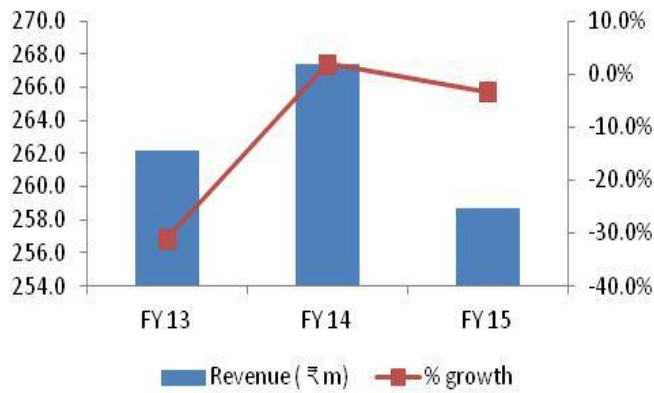
For the period ending 31 March, 2015, Pioneer Investcorp Ltd reported revenues of ₹258.7 million, representing 3.3% decline when compared to the revenues in FY'14. The company's EBITDA stood at ₹176.7 million in FY'15 compared to ₹(23.5) million in the previous year.

| Year end March                      | FY 13    | FY 14   | FY 15    |
|-------------------------------------|----------|---------|----------|
| <b>Income statement (₹ million)</b> |          |         |          |
| Revenue                             | 262.2    | 267.4   | 258.7    |
| % growth                            | -30.9%   | 2.0%    | -3.3%    |
| EBITDA                              | 122.2    | -23.5   | 176.7    |
| % EBITDA margin                     | 46.6%    | -8.8%   | 68.3%    |
| Depreciation and amortisation       | 23.8     | 14.4    | 6.7      |
| EBIT                                | 98.4     | -38.0   | 169.9    |
| Interest                            | 62.9     | 77.4    | 56.5     |
| PBT                                 | 35.5     | (115.4) | 113.4    |
| Tax (credit) expense                | 7.3      | 8.7     | 29.2     |
| Net profit                          | 28.2     | (124.1) | 84.3     |
| % growth net profit                 | -28.7%   | -540.1% | 167.9%   |
| <b>Balance sheet (₹ million)</b>    |          |         |          |
| Shareholder fund                    | 1,061.56 | 936.95  | 1,008.91 |
| Long term liabilities               | 42.31    | 32.42   | 30.43    |
| Current liabilities                 | 1,149.27 | 350.43  | 468.38   |
| Fixed assets                        | 695.72   | 46.68   | 28.93    |
| Current assets                      | 1,066.22 | 810.25  | 1,052.17 |
| Cash & cash equivalents             | 18.02    | 5.11    | 62.50    |
| <b>Cash flow statement</b>          |          |         |          |
| Cash flow operations                | -761.52  | 224.66  | 42.14    |
| Cash flow from investing            | 337.67   | 524.68  | -8.90    |
| Cash flow from financing            | 400.56   | -762.26 | 24.15    |
| <b>Per share data</b>               |          |         |          |
| EPS (₹)                             | 2.29     | -10.09  | 6.85     |
| CEPS (₹)                            | 4.23     | (8.92)  | 7.40     |
| DPS (₹)                             | NA       | NA      | NA       |
| BVPS (₹)                            | 86.19    | 76.17   | 82.00    |
| <b>Financial Ratios %</b>           |          |         |          |
| ROE                                 | 2.7%     | -12.4%  | 8.7%     |
| ROCE                                | 5.8%     | -2.9%   | 11.7%    |
| Debt/Equity                         | 60.7%    | 38.7%   | 43.9%    |
| Interest coverage ratio             | 1.6      | NM      | 3.0      |
| Current ratio                       | 0.9      | 2.3     | 2.2      |
| Cash ratio                          | 0.02     | 0.01    | 0.13     |

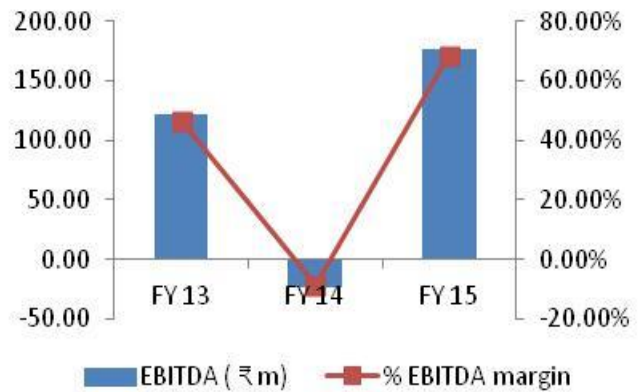
Source: Company, Karvy Investment Advisory

Financial Snapshot

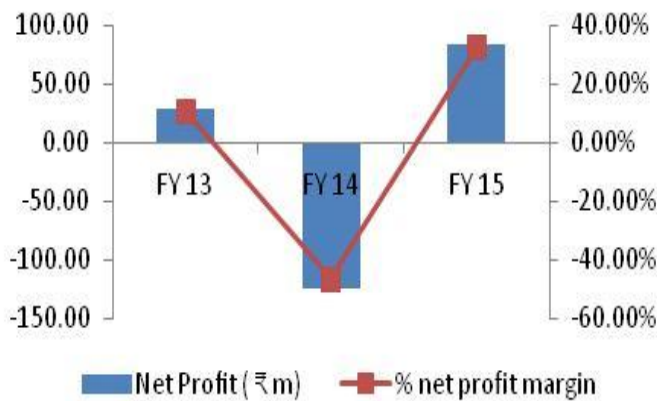
Revenue growth (%)



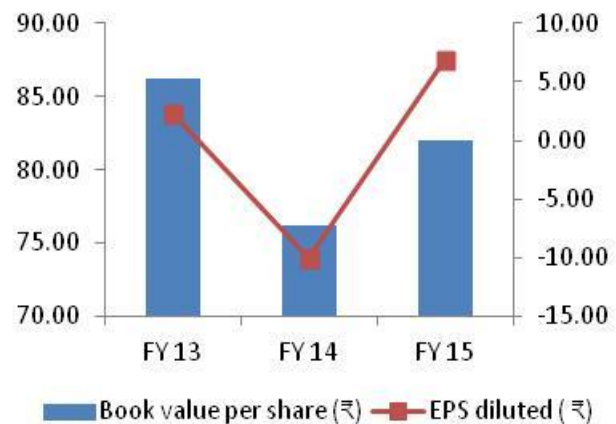
EBITDA margin (%)



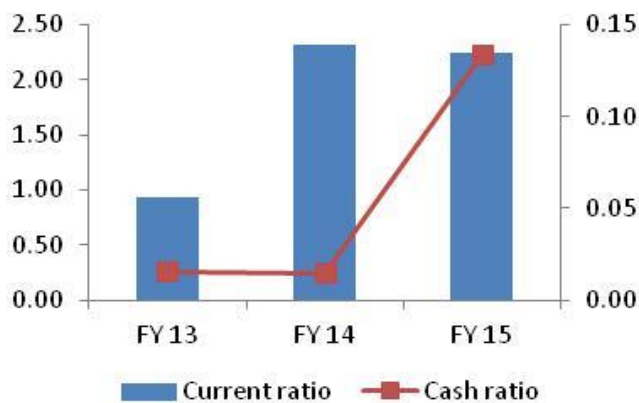
Net Profit Margin (%)



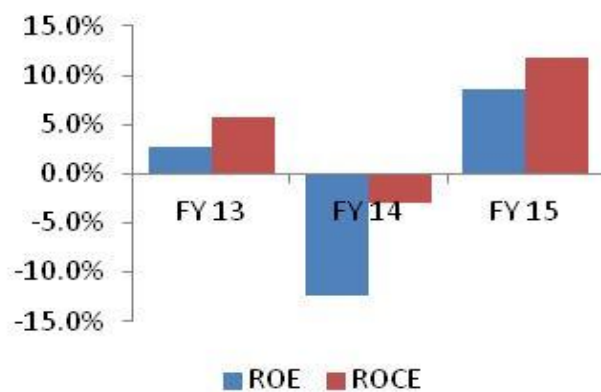
BVS & EPS



Liquidity ratios



Profitability ratios



Source: Karvy Investment Advisory

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