

Prudent Corporate Advisory

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	PRUDENT IN
Equity Shares (m)	41
M.Cap.(INRb)/(USDb)	121 / 1.4
52-Week Range (INR)	3741 / 1570
1, 6, 12 Rel. Per (%)	11/38/28
12M Avg Val (INR M)	216

Financials & Valuations (INRm)

Y/E March	2025	2026E	2027E
Revenues	11,036	12,626	15,345
Opex	8,412	9,729	11,798
PBT	2,621	3,004	3,759
PAT	1,957	2,248	2,819
EPS (INR)	47.3	54.3	68.1
EPS Gr. (%)	41.1	14.9	25.4
BV/Sh. (INR)	32.3	41.9	53.7

Ratios (%)

EBITDA Margin	23.8	22.9	23.1
PAT margin	17.7	17.8	18.4
RoE	34.1	29.3	28.5
Div. Payout	5.3	11.1	13.2

Valuations

P/E (x)	62.1	54.1	43.1
P/BV (x)	91.0	70.0	54.6
Div. Yield (%)	0.1	0.2	0.3

Shareholding Pattern (%)

As of	Jun-25	Mar-25	Jun-24
Promoter	55.3	55.7	58.4
DII	20.8	20.7	22.3
FII	17.5	17.6	12.9
Others	6.5	5.9	6.4

FII includes depository receipts

CMP: INR2,922 **TP: INR2,600 (-11%)** **Neutral**

Performance in-line across parameters

- Prudent Corporate Advisory (Prudent) posted an operating revenue of INR2.9b, +18% YoY (in line) in 1QFY26, fueled by a 17% YoY surge in commission & fees income.
- EBITDA grew 14% YoY to INR673m (in line), reflecting an EBITDA margin of 22.9% (vs 23.6% in 1QFY25 and our estimate of 23.2%). Operating expenses grew 19% YoY to INR2.3b (in line), with fees and commission expenses growing 22% YoY (in-line), employee expenses growing 16% YoY (8% above estimates), and other expenses growing 2% YoY (12% below estimates).
- Top-line and expenses meeting our expectation resulted in an in-line PAT of INR519m, growing 17% YoY.
- Management expected yields to be largely stable at 90bp for FY26. However, the recent repricing done by SBI MF will have a further impact of ~INR6-7m in 2QFY26 (~INR3.5m in 1QFY26), while Kotak MF repricing will have an impact of ~INR27m for FY26.
- We have largely maintained our earnings estimates, considering the in-line performance during the quarter. We expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 18%/16%/20% over FY25-27, fueled by growing MF AUM and a focus on increasing the share of non-MF business in the overall mix. The company is expected to maintain an RoE of >28% for FY26/FY27. We reiterate our Neutral rating with a TP of INR2,600 (based on 38x EPS FY27E).

QAAUM maintains growth momentum as SIP flows remain strong

- Prudent's QAAUM grew 23% YoY to INR1.1t, while the closing AUM stood at ~INR1.2t for the quarter. Monthly SIP flow grew to ~INR10b from INR7.8b in 1QFY25, reflecting a market share of 3.5%.
- Total insurance premium for the quarter came in at INR1.4b (+22% YoY), of which life insurance premium stood at INR1.1b (+19% YoY) and general insurance premium stood at INR376m (+33% YoY).
- Commission and fees income for the quarter rose 17% YoY to ~INR2.9b, of which INR2.5b (+21% YoY) was contributed by the distribution of MF products and INR291m (+11% YoY) by insurance products.
- Revenue from the distribution of MF grew 21% YoY and 8% QoQ, fueled by strong SIP inflows and active participation from MFDs.
- Revenue from the sale of insurance products increased 11% YoY, with the life insurance fresh book growing 3% YoY and the general insurance fresh book growing 57% YoY in 1QFY26.
- Revenue from the stockbroking segment dipped 35% YoY. Revenue from other financial and non-financial products declined 8% YoY.
- Commission payout grew 22% YoY to INR1.7b, with the number of MFD growing to 34,232 (30,349 in 1QFY25). This reflected 60.5% of consolidated distribution revenue (59.1% in 1QFY25), and management expects this to remain largely stable in the subsequent quarters, despite some impact from competitive pressure.
- Other income for 1QFY26 rose 47% YoY to INR103m (14% beat).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key takeaways from the management commentary

- A 15-16% fixed salary hike was implemented in Apr'25, and management expects overall employee cost to rise ~20% in FY26. Despite near-term pressure on RM costs from increasing competitive intensity, management remains confident of achieving 23-24% margins (excluding ESOP costs) in FY26.
- Prudent started 2QFY26 with a 7% sequential uptick in daily average AUM compared to 1QFY26 QAAUM.
- Life insurance distribution remained muted as the previous focus on traditional products is being scaled back. Contribution from guaranteed plans has reduced from 70-80% earlier to 40-45% now.

Valuation and view

- We expect the revenue growth trajectory to remain in high teens during the medium to long term, primarily due to: 1) the rising MF AUM, mainly led by an improving SIP participation, 2) focus on a one-stop-shop solution, which should result in a rise in distribution revenue from higher-margin products such as insurance, and 3) healthy traction in AIF/PMS/FD segments.
- We have largely maintained our earnings estimates considering the in-line performance during the quarter. We expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 18%/16%/20% over FY25-27, fueled by growing MF AUM and a focus on increasing the share of non-MF business in the overall mix. The company is expected to maintain an RoE of >28% for FY26/FY27. We reiterate our Neutral rating with a TP of INR2,600 (based on 38x EPS FY27E).

Quarterly Performance

(INR m)

Y/E March	FY25				FY26				FY25	FY26	1QFY26E	Act v/t Est. (%)	YoY QoQ	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
Commission and Fees Income	2,477	2,845	2,827	2,809	2,910	3,071	3,152	3,406	10,958	12,539	2,911	0.0	17%	4%
Other Operating revenue	17	15	23	20	28	21	21	17	76	87	21	31.0	59%	37%
Revenue from Operations	2,494	2,861	2,850	2,829	2,938	3,092	3,173	3,423	11,034	12,626	2,932	0.2	18%	4%
Change YoY (%)	50.8	50.5	35.8	18.0	17.8	8.1	11.3	21.0	37.1	14.4	17.5			
Operating Expenses	1,904	2,174	2,191	2,143	2,265	2,392	2,449	2,623	8,412	9,729	2,251	0.6	19%	6%
Change YoY (%)	50.8	48.0	37.0	19.8	18.9	10.0	11.8	22.4	37.5	15.7	18.2			
EBIDTA	590	687	659	686	673	700	724	800	2,622	2,897	680	-1.2	14%	-2%
Depreciation	62.9	67.2	73.7	74.8	72.5	75.0	75.0	78.3	279	301	75	-3.3	15%	-3%
Finance Cost	4.9	5.7	6.4	6.7	6.9	7.0	7.0	5.6	24	27	7	-1.4	40%	3%
Other Income	70	78	66	85	103	105	110	116	299	434	90	14.1	47%	21%
PBT	592	693	645	690	696	723	752	833	2,619	3,004	688	1.1	18%	1%
Change YoY (%)	57.9	70.6	34.7	15.4	17.5	4.4	16.6	20.7	41.1	14.6	16.3			
Tax Provisions	149.9	177.9	163.1	173.5	178.1	180.9	188.0	208.5	664	755	172	3.5	19%	3%
Net Profit	442	515	482	516	518	543	564	624	1,955	2,248	516	0.3	17%	0%
Change YoY (%)	58.3	69.2	35.0	15.9	17.1	5.4	17.0	20.9	40.9	15.0	16.8			

Key Operating Parameters (%)	FY25				FY26				FY25	FY26	1QFY26E	Act v/t Est. (%)	YoY	QoQ
EBIDTA Margin	23.6	24.0	23.1	24.3	22.9	22.7	22.8	23.4	23.8	22.9	23.2	-32bp	-75bp	-136bp
Cost to Income Ratio	19.5	18.9	17.8	17.6	18.2	18.3	18.2	17.5	18.4	18.0	18.4	-19bp	-131bp	62bp
PBT Margin	23.7	24.2	22.6	24.4	23.7	23.4	23.7	24.3	23.7	23.8	23.5	20bp	-5bp	-69bp
Tax Rate	25.3	25.7	25.3	25.2	25.6	25.0	25.0	25.0	25.4	25.1	25.0	59bp	26bp	44bp
PAT Margins	17.7	18.0	16.9	18.2	17.6	17.5	17.8	18.2	17.7	17.8	17.6	1bp	-10bp	-62bp
MF revenue / QAAUM (bps)	91.9	91.8	91.8	90.3	90.3	89.8	89.8	90.0	91.3	91.4	90.0	35bp		
Revenue from Operations (INR Mn)														
Commission and Fees Income														
Distribution of MF Products-Trail Revenue	2,052	2,343	2,421	2,297	2,489	2,549	2,626	2,690	9,113	10,354	2,450	1.6	21%	8%
Distribution of Insurance Products	261	339	286	402	291	373	358	527	1,288	1,549	313	-7.1	11%	-28%
Stock Broking and Allied Services	77	73	49	41	50	54	58	62	240	224	57	-12.9	-35%	22%
Other Financial and Non Financial Products	87	90	71	69	80	95	110	127	317	412	90	-11.1	-8%	16%
Revenue from Operations Mix (%)														
As % of Commission and Fees Income														
Distribution of MF Products-Trail Revenue	82.3	81.9	84.9	81.2	84.7	82.4	82.8	78.6	82.6	82.0	83.6	116bp	246bp	354bp
Distribution of Insurance Products	10.5	11.9	10.0	14.2	9.9	12.1	11.3	15.4	11.7	12.3	10.7	-78bp	-56bp	-430bp
Stock Broking and Allied Services	3.1	2.6	1.7	1.4	1.7	1.7	1.8	1.8	2.2	1.8	2.0	-26bp	-139bp	25bp
Other Financial and Non Financial Products	3.5	3.1	2.5	2.4	2.7	3.1	3.5	3.7	2.9	3.3	3.1	-35bp	-76bp	28bp



Key takeaways from the management commentary

Business highlights:

- The company has started 2QFY26 with a 7% sequential uptick in daily average AUM compared to 1QFY26 QAAUM.
- Growth in equity AUM in 1QFY26 was driven largely by mark-to-market gains of INR113.6b.
- Prudent crossed the INR10b SIP book milestone in Jul'25, highlighting continued investor stickiness.
- Employee costs rose sequentially, but were in line with internal expectations. The base in 4QFY25 was suppressed due to lower provisioning and a reversal of variable pay.
- A 15-16% fixed salary hike was implemented in Apr'25, and management expects overall employee costs to rise ~20% in FY26.
- The ESOP plan is awaiting shareholder approval, which could additionally impact 2-2.5% of PBT.
- Management flagged near-term pressure on RM costs due to increasing competitive intensity, but remains confident of achieving 23-24% margins (excluding ESOP costs) in FY26.

Distribution:

- There has been a growing traction for fintechs with respect to SIP registrations, leading to strong growth of direct plans. However, Prudent continues to maintain its market share in regular plans.
- Payout levels have increased in the short term due to increased competition, especially with the entry of B2B2C platforms. However, the company sees this competition as positive in the medium to long term and has not seen any significant distributor attrition.
- Branch expansion remains a focus, with 16-17 branches added in FY25 and another 7 in 1QFY26. A majority of branches are opened in the fast-growing Western India, where the company aims to deepen its market presence. However, new branches have also been opened outside of the West, supporting pan-India growth.
- Most of the trail provisioning to distributors was completed in 2HFY25. The FY25 payout ratio stood at 64%, which the company considers sustainable. Adjusted for the INR110m insurance income in 1QFY26, the payout ratio stands at ~64.7%, which could rise marginally with insurance-linked commissions.
- Payouts to distributors are currently aligned with rates on new transactional AUM, with changes made when AMCs revise historical transactional AUM rates.
- Over 600 distributors are certified to sell PMS products, of which 350-400 have started actively distributing.

Yields:

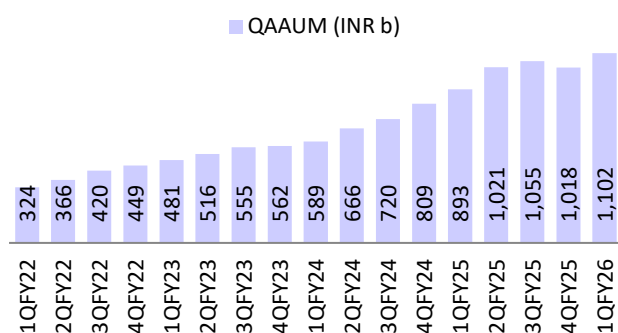
- MF distribution yield is expected to sustain at 90bp for FY26.
- The slight QoQ decline in 1QFY26 was due to INR8-8.5m extra income booked in 4QFY25. In addition, repricing by SBI MF during the quarter resulted in a revenue impact of INR3.5m.

- Kotak MF also implemented repricing from Jul'25, which will further impact revenue for FY26 to the tune of ~INR27m.
- Going forward, yields may improve as the top five AMC's lose share to mid-sized, better-performing AMC's, if investors make a shift toward such AMC's.

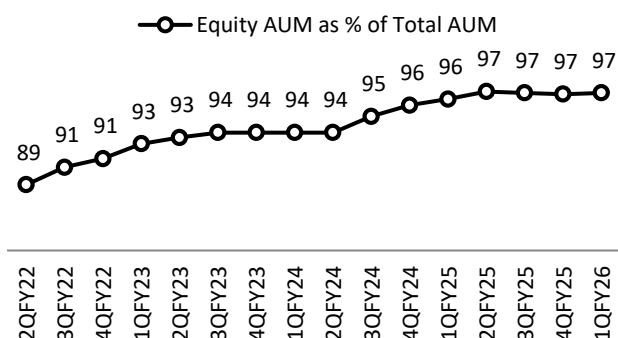
Insurance Distribution

- Life insurance distribution was muted as the earlier focus on traditional products is being scaled back. Contribution from guaranteed plans has reduced from 70-80% earlier to 40-45% now.
- The focus has shifted towards more profitable segments, such as Term+ULIP and pure ULIP products, to support fresh premium growth.

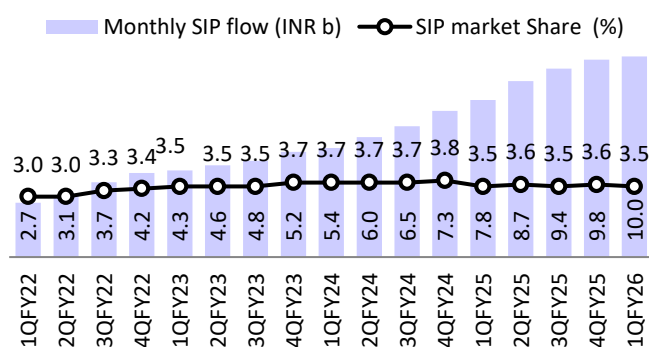
Story in charts

Exhibit 1: Trend in QAAUM growth


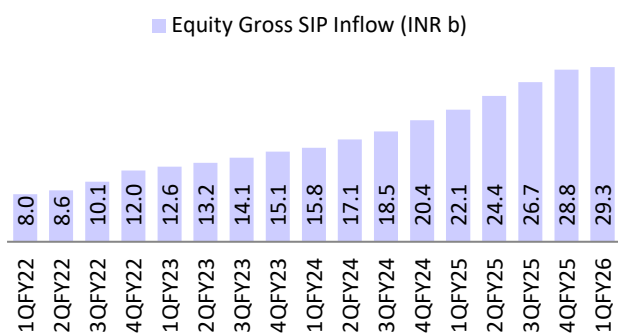
Source: Company, MOFSL

Exhibit 2: Share of Equity AUM remained stable


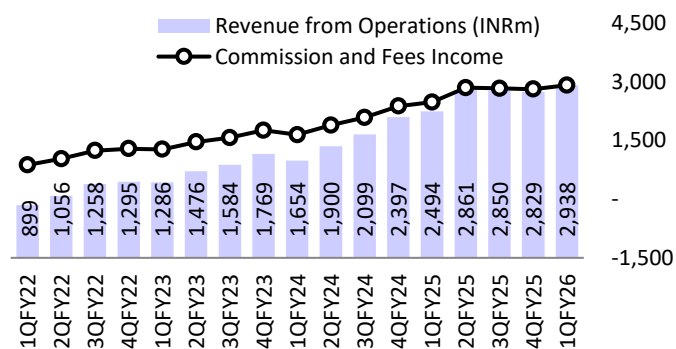
Source: Company, MOFSL

Exhibit 3: Monthly SIP flows on an upward trajectory


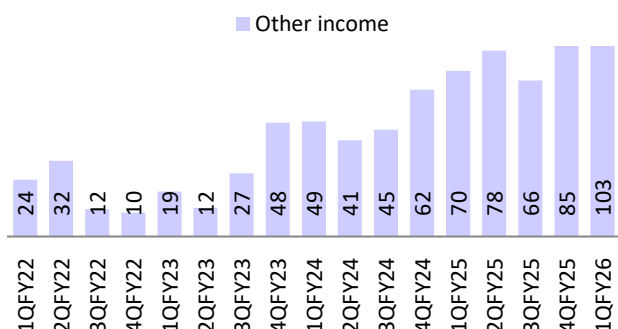
Source: Company, MOFSL

Exhibit 4: Trend in equity gross SIP flows


Source: Company, MOFSL

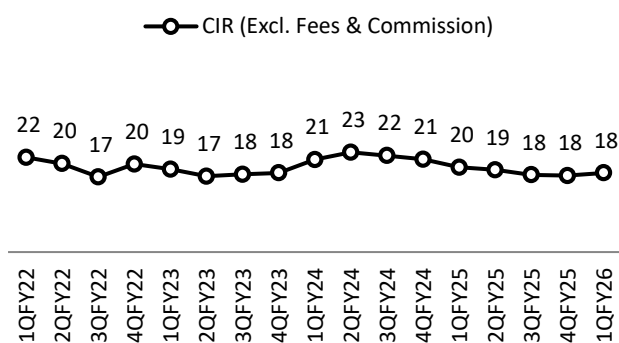
Exhibit 5: Revenue stood at INR2.9b in 1QFY26


Source: MOFSL, Company

Exhibit 6: Trend in other income


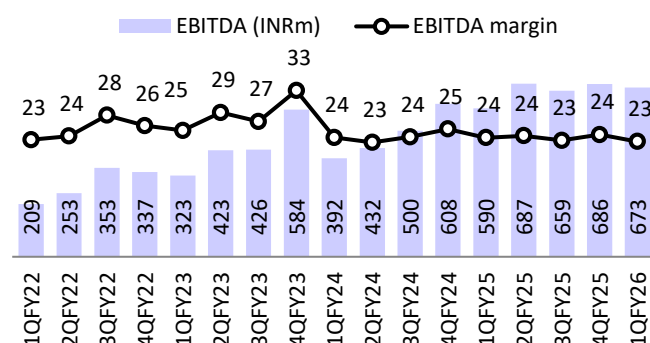
Source: MOFSL, Company

Exhibit 7: C/I ratio (%) trend



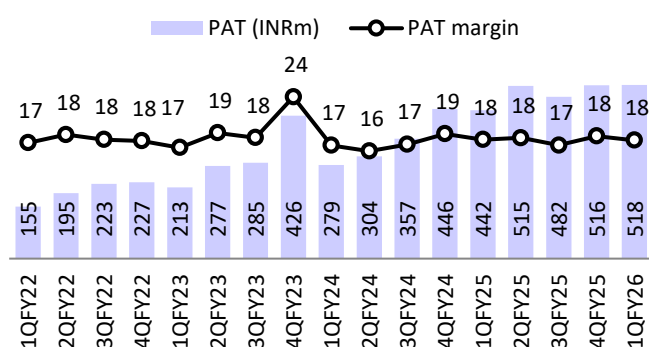
Source: MOFSL, Company

Exhibit 8: Trend in EBITDA (INRm) and EBITDA margins (%)



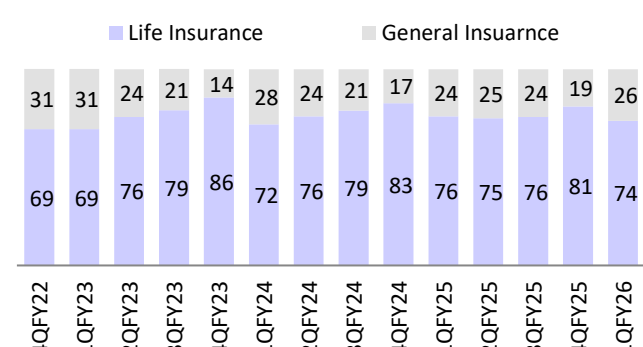
Source: MOFSL, Company

Exhibit 9: PAT margin stood at 18% in 4QFY25



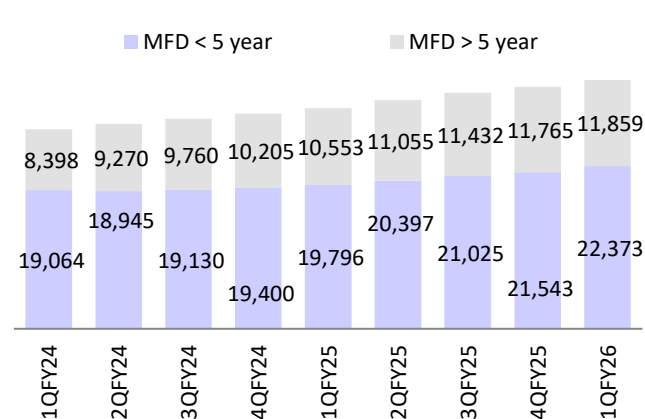
Source: MOFSL, Company

Exhibit 10: Premium mix (%)



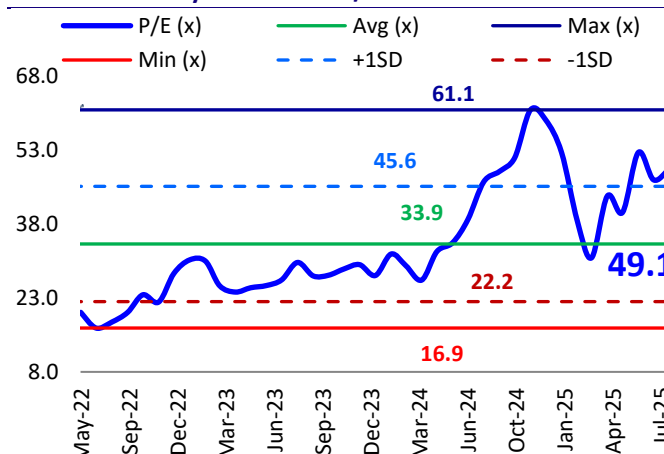
Source: MOFSL, Company

Exhibit 11: No. of MFD on an increasing trajectory



Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement							(INR m)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Commission and Fees Income	2,293	2,776	4,428	6,048	7,990	10,960	12,539	15,249
Other Operating income	55	89	80	65	60	76	87	96
Revenue From Operations	2,348	2,865	4,508	6,113	8,050	11,036	12,626	15,345
Change (%)	5.8	22.0	57.3	35.6	31.7	37.1	14.4	21.5
Commission and Fees expenses	1,205	1,531	2,464	3,252	4,354	6,380	7,451	9,077
Employee benefits expense	489	555	693	833	928	1,109	1,331	1,571
Impairment of FI	12	20	-1	-20	0	0	0	0
Other expenses	176	140	199	295	837	922	947	1,151
Operating Expenses	1,882	2,246	3,355	4,359	6,119	8,412	9,729	11,798
Change (%)	2.4	19.4	49.4	29.9	40.4	37.5	15.7	21.3
Operating Profit	467	619	1,153	1,754	1,931	2,624	2,897	3,546
Other Income	14	84	78	75	196	299	434	567
Depreciation	79	81	134	240	248	279	301	325
Finance Cost	27	17	26	21	21	24	27	30
Exceptional items	0	0	0	0	0	0	0	0
Profit Before Tax	374	605	1,071	1,568	1,858	2,621	3,004	3,759
Change (%)	30.6	61.7	77.0	46.4	18.5	41.1	14.6	25.1
Tax	96	152	268	401	471	664	755	940
Tax Rate (%)	25.6	25.2	25.0	25.6	25.3	25.3	25.2	25.0
PAT	279	453	803	1,167	1,387	1,957	2,248	2,819
Change (%)	32.5	62.6	77.4	45.2	18.9	41.1	14.9	25.4
Dividend	5	5	41	62	83	104	248	373

Balance Sheet								
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Equity Share Capital	10	10	207	207	207	207	207	207
Reserves & Surplus	1,115	1,566	2,169	3,293	4,607	6,470	8,470	10,916
Net Worth	1,125	1,576	2,376	3,500	4,814	6,677	8,677	11,123
Borrowings	78	26	0	0	0	0	0	0
Other Liabilities	758	1,247	1,624	1,699	2,762	2,760	2,898	3,043
Total Liabilities	1,961	2,850	4,000	5,199	7,576	9,437	11,574	14,166
Cash and Investments	1,035	1,598	967	2,127	3,780	5,436	6,902	8,666
Change (%)	41.4	54.4	-39.5	120.0	77.7	43.8	27.0	25.6
Loans	9	5	7	9	10	11	13	14
Net Fixed Assets	179	166	157	148	163	303	349	401
Current Assets	737	1,080	2,870	2,915	3,622	3,686	4,311	5,084
Total Assets	1,961	2,850	4,000	5,199	7,576	9,437	11,574	14,166

E: MOFSL Estimates

Financials and valuations

Cash Flow

INR m	2020	2021	2022	2023	2024	2025	2026E	2027E
PAT	279	453	803	1,167	1,387	1,957	2,248	2,819
Change in Accumulated Depreciation	79	81	134	240	248	279	301	325
Change in Reserves	21	3	38	19	9	10	0	0
Finance cost	27	17	26	21	21	24	27	30
Other Income	-14	-84	-78	-75	-196	-299	-434	-567
Change in Working Capital	173	143	45	-110	207	-220	-458	-594
Cashflow from Operation	565	614	968	1,261	1,676	1,750	1,684	2,012
Other Income	14	84	78	75	196	299	434	567
Change in Investments	6	-140	-188	-1,040	-1,031	-1,194	-1,827	-1,645
Change in Loans	-129	-46	6	38	33	102	15	16
Change in Fixed Asset	-111	-71	-1,614	-137	-139	-367	-390	-428
Cashflow from Investing	-220	-172	-1,718	-1,064	-941	-1,160	-1,769	-1,490
Interest Expense	-27	-17	-26	-21	-21	-24	-27	-30
Dividend Expense	-5	-5	-41	-62	-83	-104	-248	-373
Cashflow from Financing	-32	-22	-67	-83	-104	-127	-275	-402
Net Cashflow	313	419	-818	123	622	463	-359	120
Opening Cash	660	973	1,392	575	698	1,320	1,783	1,424
Closing Cash	973	1,392	575	698	1,320	1,783	1,424	1,544

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
As a percentage of Revenues								
Commission and Fees Income	97.6	96.9	98.2	98.9	99.3	99.3	99.3	99.4
Other Operating income	2.4	3.1	1.8	1.1	0.7	0.7	0.7	0.6
Total cost	80.1	78.4	74.4	71.3	76.0	76.2	77.1	76.9
Commission and Fees expenses	51.3	53.4	54.7	53.2	54.1	57.8	59.0	59.2
Employee Costs	20.8	19.4	15.4	13.6	11.5	10.1	10.5	10.2
Other Opex	8.0	5.6	4.4	4.5	10.4	8.4	7.5	7.5
PBT	15.9	21.1	23.8	25.7	23.1	23.8	23.8	24.5
PAT	11.9	15.8	17.8	19.1	17.2	17.7	17.8	18.4
Profitability Ratios (%)								
RoE	28.5	33.5	40.7	39.7	33.4	34.1	29.3	28.5
Dividend Payout Ratio	37.1	22.8	5.1	5.3	6.0	5.3	11.1	13.2

Valuations

	2020	2021	2022	2023	2024	2025	2026E	2027E
BVPS (INR)	108.8	152.5	11.5	16.9	23.3	32.3	41.9	53.7
Price-BV (x)	27.0	19.3	255.7	173.6	126.2	91.0	70.0	54.6
EPS (INR)	6.7	11.0	19.4	28.2	33.5	47.3	54.3	68.1
Change (%)	32.7	62.6	77.2	45.1	18.9	41.1	14.9	25.4
Price-Earnings (x)	435.5	267.8	151.1	104.2	87.6	62.1	54.1	43.1
DPS (INR)	2.5	2.5	1.0	1.5	2.0	2.5	6.0	9.0
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.3

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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