

Prudent Corporate Advisory

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	PRUDENT IN
Equity Shares (m)	41
M.Cap.(INRb)/(USDb)	118.1 / 1.2
52-Week Range (INR)	3160 / 1955
1, 6, 12 Rel. Per (%)	-4/32/2
12M Avg Val (INR M)	100

Financials & Valuations (INRm)

Y/E March	2026	2027E	2028E
Revenues	13,174	15,048	18,190
Opex	10,071	11,279	13,519
PBT	2,980	3,921	4,913
PAT	2,221	2,940	3,685
EPS (INR)	53.6	71.0	89.0
EPS Gr. (%)	13.5	32.4	25.3
BV/Sh. (INR)	213.2	279.7	363.2

Ratios (%)

EBITDA Margin	23.6	25.0	25.7
PAT margin	16.9	19.5	20.3
RoE	28.6	28.8	27.7
Div. Payout	6.5	6.3	6.2

Valuations

P/E (x)	53.2	40.2	32.1
P/BV (x)	13.4	10.2	7.9
Div. Yield (%)	0.1	0.2	0.2

Shareholding Pattern (%)

As of	Jun-26	Mar-26	Jun-25
Promoter	55.3	55.3	55.3
DII	23.9	23.6	20.8
FII	14.3	14.9	17.5
Others	6.5	6.2	6.5

FII includes depository receipts

CMP: INR2,851 TP: INR3,260 (+14%) Neutral

Lower operating expenses lead to a PAT beat

- Prudent Corporate Advisory (Prudent) reported an operating revenue of ~INR3.5b (+18% YoY/-4% QoQ in 1QFY27; in line). Commission and fees income for the quarter rose 18% YoY to ~INR3.4b, of which INR2.9b (+18% YoY) was contributed by the distribution of MF products, while the contribution from distribution of insurance products rose 21% YoY to INR351m.
- Operating expenses grew 14% YoY/down 3% QoQ to INR2.6b, with fees and commission expenses rising 10% YoY to INR1.9b, employee expenses increasing 33% YoY, and other expenses growing 22% YoY. EBITDA grew 32% YoY/dipped 4% QoQ to INR891m (8% beat), with an EBITDA margin of 25.6% (vs. 22.9% in 1QFY26 and 23.4%).
- PAT grew 44% YoY/26% QoQ to INR748m (20% beat, led by lower operating expenses). PAT margin improved to 21.5%, up from 17.6% in 1QFY26 and 16.4% in 4QFY26.
- The recent regulatory changes led to a dip in gross yields by ~2.8bp QoQ to 88bp. Prudent's 1QFY27 margins are likely to represent the new steady state, with yields expected to decline gradually by 1–2bp over the medium term due to competitive pressure on the new business.
- We raise our FY27/FY28 earnings estimates by 7%/8%, driven by a lower commission ratio to reflect the recent regulatory changes, partly offset by lower revenue yield assumptions and higher employee costs (in line with management guidance). We expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 18%/ 23%/29% over FY26–28. We reiterate our Neutral rating with a TP of INR3,260, based on 37x FY28E EPS.

Equity AUM rises due to strong SIP flows and the Indus acquisition

- Prudent's QAAUM grew 21% YoY/4% QoQ to INR1.3t in 1QFY27, with Jul'26 trends indicating a strong recovery, taking the AUM to ~INR1.4t.
- Equity AUM (97% of closing AUM) grew 18% YoY/16% QoQ, driven by strong SIP inflows and the contribution from the recent Indus acquisition.
- Monthly SIP flows improved to ~INR12b (vs INR10b YoY), maintaining ~3.6% market share; SIP collection trends remain stable after adjusting for the Mar'26 month-end processing impact.
- Alternative assets (PMS, AIF, and related products) AUM stood at ~INR19b, growing 37% YoY.
- Total insurance premium for the quarter stood at INR1.9b (+34% YoY), led by strong growth across segments, with life insurance premium at INR1.4b (+29% YoY) and general insurance premium at INR547m (+45% YoY).
- Commission and fees income rose 18% YoY to ~INR3.4b, of which INR2.9b (+18% YoY) was led by the distribution of MF products, while insurance products' contribution rose 21% YoY to INR351m.
- MF revenue grew 17.9% YoY, slower than the QAAUM growth of 20.8% due to the impact of regulatory changes implemented from Apr'26.

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

- The regulatory changes reduced gross yield by 2.8bp QoQ, taking it to 88bp, which is a steady-state assumption going forward.
- Insurance distribution revenue grew 21% YoY, supported by strong growth across both life and general insurance businesses. Fresh life insurance premiums increased 73% YoY, driven by robust growth in participating products (100%) and ULIPs (82%), while general insurance growth was led by a 37% YoY increase in health insurance premiums.
- Revenue from the stockbroking segment increased 12% YoY/19% QoQ at INR56m. Revenue from other financial and non-financial products rose 28% YoY to INR102m, led by strong growth in PMS and bond distribution.
- Other income stood at INR208m vs INR103m in 1QFY26 and negative INR47m in 4QFY26 due to MTM gains on the treasury book.
- Operating expenses grew 14% YoY/declined 3% QoQ to INR2.6b. The CIR (ex-commissions) came in at 19.7% vs. 18.2% in 1QFY26 and 19.1% in 4QFY26.
- Commission & fee expenses rose only 10% YoY/fell 4% QoQ to INR1.9b, primarily due to GST-related regulatory changes and the removal of the 5bp exit load from TER, while other expenses were up 22% YoY/down 20% QoQ to INR269m.
- Employee costs rose 33% YoY/19% QoQ to INR418m mainly due to annual salary revisions, branch expansion, higher headcount, and increased variable pay provisions. Employee cost growth, including ESOP expenses, is expected to remain in the 22–24% range for FY27.

Key takeaways from the management commentary

- Yields on new business remain higher than the existing book, and management expects the 88bp gross yield to sustain going forward.
- Commission expenses grew 9.8% YoY due to GST-related regulatory changes and the removal of the 5bp exit load from TER. The one-time reset is complete, with current gross margins reflecting the new normalized regulatory framework.
- SIF AUM crossed INR5b with ~1,326 certified distributors. Management expects adoption to accelerate following simplified certification norms, with monthly SIF business growing faster than the mutual fund business.

Valuation and view

- Prudent delivered a healthy 1QFY27 performance, with PAT outperforming expectations driven by lower operating expenses despite the impact of recent regulatory changes on yields. Core business momentum remains strong, supported by healthy equity AUM growth, resilient SIP inflows, robust insurance premium growth, and continued traction across alternate products. Management expects the current gross yield of 88bp to represent the new steady state, while operating leverage and a lower commission ratio should support margin expansion over the medium term.
- **We raise our FY27/FY28 earnings estimates by 7%/8%, driven by a lower commission ratio to reflect the recent regulatory changes, partly offset by lower revenue yield assumptions and higher employee costs (in line with management guidance). We expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 18%/ 23%/29% over FY26–28. We reiterate our Neutral rating with a TP of INR3,260, based on 37x FY28E EPS.**

Quarterly performance

(INR m)

	FY26				FY27				FY26	FY27E	1QFY27E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE						
Commission and Fees Income	2,910	3,168	3,407	3,579	3,443	3,616	3,762	4,107	13,065	14,928	3,508	-1.9	18%	-4%
Other Operating revenue	28	30	25	27	33	30	31	25	109	119	28	18.3	20%	25%
Revenue from Operations	2,938	3,198	3,432	3,606	3,476	3,646	3,793	4,132	13,174	15,048	3,536	-1.7	18%	-4%
Change YoY (%)	17.8	11.8	20.4	27.5	18.3	14.0	10.5	14.6	19.4	14.2	20.4			
Operating Expenses	2,265	2,476	2,654	2,676	2,586	2,739	2,843	3,111	10,071	11,279	2,710	-4.6	14%	-3%
Change YoY (%)	18.9	13.9	21.1	24.9	14.2	10.6	7.1	16.3	19.7	12.0	19.6			
EBIDTA	673	722	778	930	891	906	950	1,022	3,103	3,769	826	7.8	32%	-4%
Depreciation	72.5	76.8	80.2	78.7	80.0	81.0	82.0	83.8	308	327	81	-1.2	10%	2%
Finance Cost	6.9	7.3	16.9	16.4	16.8	16.0	16.0	15.4	48	64	16	4.7	143%	2%
Other Income	103	82	95	-47	208	110	115	109	233	543	100	108.3	103%	-545%
PBT	696	719	776	788	1,002	919	967	1,032	2,980	3,921	829	20.9	44%	27%
Change YoY (%)	17.5	3.8	20.3	14.3	44.1	27.8	24.7	30.9	13.7	31.6	19.2			
Tax Provisions	178.1	184.0	199.7	197.1	254.7	229.9	241.9	253.7	759	980	207	22.9	43%	29%
Net Profit	518	535	576	591	748	690	726	778	2,221	2,940	622	20.2	44%	26%
Change YoY (%)	17.1	4.0	19.6	14.5	44.4	28.8	25.9	31.6	13.5	32.4	20.1			
Key Operating Parameters (%)														
EBIDTA Margin	22.9	22.6	22.7	25.8	25.6	24.9	25.1	24.7	23.6	25.0	23.4	225bp	273bp	-17bp
Cost to Income Ratio	18.2	17.9	18.4	19.1	19.7	20.3	20.0	20.1	18.4	20.1	18.8	91bp	154bp	66bp
PBT Margin	23.7	22.5	22.6	21.9	28.8	25.2	25.5	25.0	22.6	26.1	23.5	538bp	515bp	697bp
Tax Rate	25.6	25.6	25.7	25.0	25.4	25.0	25.0	24.6	25.5	25.0	25.0	41bp	-18bp	41bp
PAT Margins	17.6	16.7	16.8	16.4	21.5	18.9	19.1	18.8	16.9	19.5	17.6	391bp	388bp	511bp
MF revenue / QAAUM (bps)	90.3	91.3	92.2	90.0	88.2	88.0	88.0	87.8	91.4	91.4	90.0	-182bp		
Revenue from Operations (INR M)														
Commission and Fees Income														
Distribution of MF Products	2,489	2,716	2,940	2,879	2,934	3,075	3,197	3,316	11,024	11,469	2,996	-2.1	18%	2%
Trail Revenue														
Distribution of Insurance Products	291	324	336	569	351	395	410	647	1,520	1,580	372	-5.8	21%	-38%
Stock Broking and Allied Services	50	44	44	47	56	50	50	46	185	191	50	12.0	12%	19%
Other Financial and Non-Financial Products	80	83	86	84	102	96	105	98	333	355	90	13.3	28%	21%
Revenue from Operations Mix (%)														
As % of Commission and Fees Income														
Distribution of MF Products-	84.7	84.9	85.7	79.8	84.4	84.3	84.3	80.2	83.7	76.2	84.7	-32bp	-33bp	456bp
Trail Revenue														
Distribution of Insurance Products	9.9	10.1	9.8	15.8	10.1	10.8	10.8	15.7	11.5	10.5	10.5	-44bp	19bp	-568bp
Stock Broking and Allied Services	1.7	1.4	1.3	1.3	1.6	1.4	1.3	1.1	1.4	1.3	1.4	20bp	-9bp	31bp
Other Financial and Non-Financial Products	2.7	2.6	2.5	2.3	2.9	2.6	2.8	2.4	2.5	2.4	2.5	39bp	21bp	60bp
OpexMix (%)														
Fees and commission	76.4	76.9	76.2	74.3	73.5	0.0	0.0	0.0	75.9	73.2	0.0		-293bp	-83bp
Employees expenses	13.9	13.3	14.4	13.1	16.2	0.0	0.0	0.0	13.7	15.1	0.0		227bp	304bp
Other expenses	9.7	9.8	9.4	12.6	10.4	0.0	0.0	0.0	10.4	11.6	0.0		66bp	-221bp



Key takeaways from the management commentary

Business Highlights

Mutual funds

- Equity AUM grew 18% YoY, largely driven by fresh money through strong SIP inflows and the Indus acquisition.
- Despite weak markets, equity AUM generated 2.9% positive MTM gains, outperforming benchmark indices, supported by consistent SIP flows and superior fund and portfolio selection by distributors.
- Monthly SIP book increased to ~INR12.4b in Jul'26 from INR12b in Jun'26, indicating continued healthy SIP momentum.
- SIP collection trends remain stable after adjusting for the Mar'26 month-end processing impact.

- Quarterly average AUM grew 20.8% YoY, while mutual fund revenue increased 17.9% YoY; the slower growth in revenue reflects the impact of regulatory changes implemented from Apr'26.
- The regulatory changes reduced gross yield by 2.8bp QoQ, taking it to 88bp. 1Q margins should be considered the new steady-state, as regulatory changes have been fully implemented by both AMCs and the company in distributor pay-outs.
- Over the medium to long term, yields may gradually decline by 1–2 bps, primarily because of commercial pressure on new business.
- Yields on new business remain higher than the existing book and expects the 88bp gross yield to sustain going forward.
- SIF AUM has crossed INR5b with ~1,326 certified SIF distributors. Expects SIF adoption to accelerate following the simplified certification process and removal of the currency-related syllabus from the examination.
- Monthly SIF business is increasing steadily (faster than MF business), reflecting higher distributor participation and stronger internal focus on the product.
- ~60% of AUM is now mobilized through GST-registered partners.
- ~90% of AUM comes from partner distributors. The remaining 10% comprises direct/B2C business, IFAs and legacy channels.

Insurance

- Insurance revenue grew 20.6% YoY, led by strong performance across life and health insurance.
- Fresh life insurance premiums increased 73.4% YoY, driven by 100% growth in participating products and 82% growth in ULIPs.
- Health insurance premiums continued to perform well, growing 36.8% YoY.
- Insurance payout ratios appear lower mainly because ~10% of insurance business is B2C, where no distributor payout is made. Excluding this, payout ratios between mutual funds and insurance are broadly similar.

Other businesses

- Revenue from other financial and non-financial products grew 28.4% YoY, led by strong growth in PMS and bond distribution.
- Alternative assets (PMS, AIF and related products) AUM stands at ~19b, growing 37% YoY.
- Revenue from bond distribution more than doubled compared to last year.
- The company added around 600 partners per month during Q1, compared to an average of 413 partners per month in FY26.
- The company has a treasury book of INR6.5b and continues to evaluate value-accretive acquisition opportunities to strengthen its distribution platform.

Financials

- Other income increased due to gains from the treasury portfolio.
- Commission expenses grew only 9.8% YoY, primarily due to GST-related regulatory changes and the removal of the 5bp exit load from TER.
- The current commission-to-revenue ratio is broadly to be considered as guidance, subject to changes in product mix.

- The impact on commission expenses is a one-time reset, with the current gross margin representing the normalized economics under the revised regulatory framework.
- Employee costs increased 19% QoQ, mainly due to annual salary revisions, branch expansion, higher headcount, and increased variable pay provisions. Employee cost growth, including ESOP expenses, is expected to remain in the 22–24% range for FY27.
- Other expenses are inherently volatile as they are largely driven by insurance-related marketing and business development activities.
- The company plans to add 30 new branches during FY27, with over 12 branches already operationalized in 1Q.

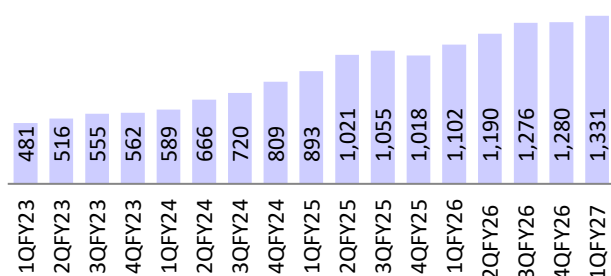
Others

- Views the proposed Mutual Fund-only PMS framework (INR2.5m minimum ticket size) as an attractive opportunity. The company is evaluating either acquiring a PMS business or applying for its own PMS license, once regulations are finalized.
- This new framework can expand services for affluent retail investors without changing its distribution-focused strategy.

Story in charts

Exhibit 1: QAAUM grew sequentially

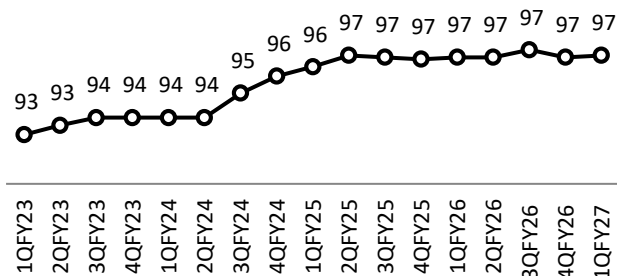
■ QAAUM (INR b)



Source: Company, MOFSL

Exhibit 2: Share of Equity AUM remained stable

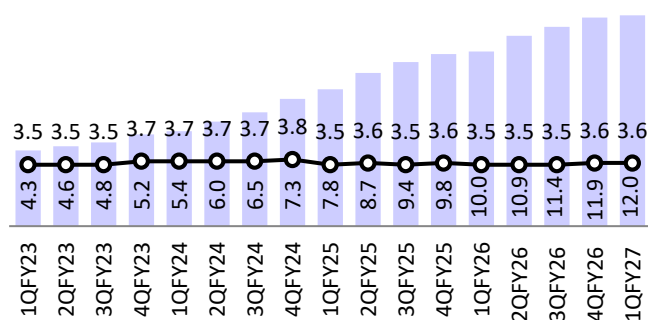
○ Equity AUM as % of Total AUM



Source: Company, MOFSL

Exhibit 3: Monthly SIP flows remained stable

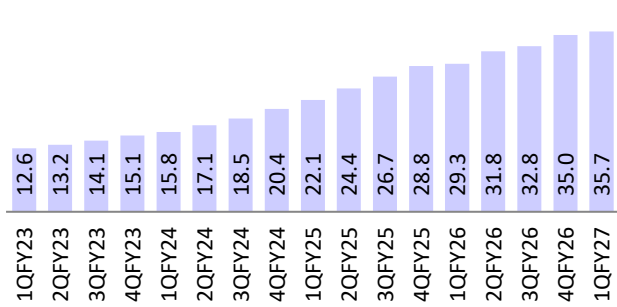
■ Monthly SIP flow (INR b) ○ SIP market Share (%)



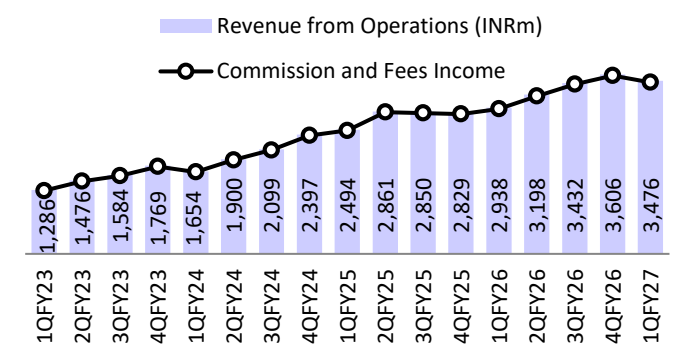
Source: Company, MOFSL

Exhibit 4: Equity SIP flows continued to grow steadily

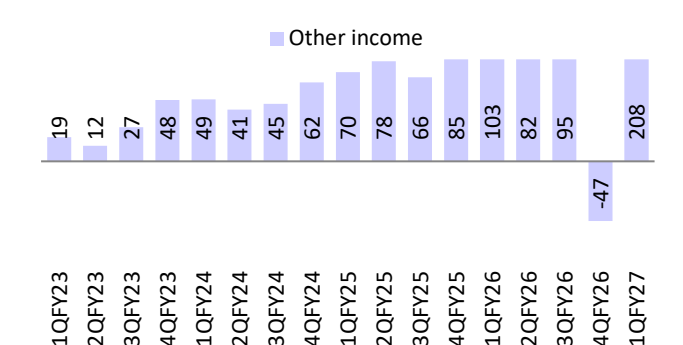
■ Equity Gross SIP Inflow (INR b)



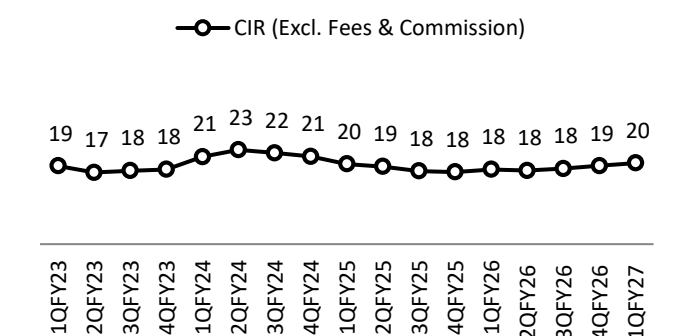
Source: Company, MOFSL

Exhibit 5: Revenue stood at INR3.5b in 1QFY27


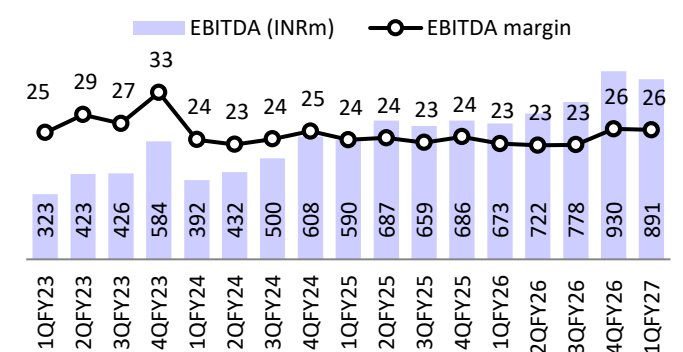
Source: MOFSL, Company

Exhibit 6: Other income surged due to MTM gains


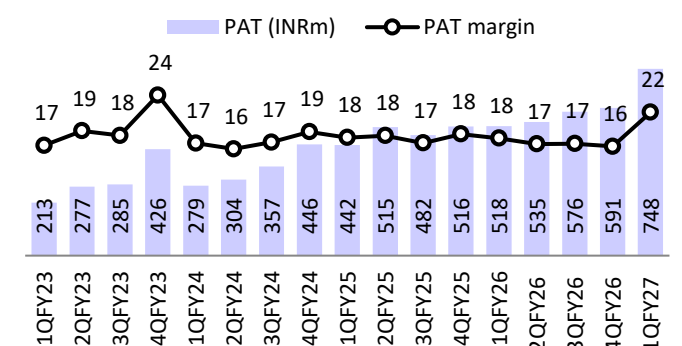
Source: MOFSL, Company

Exhibit 7: C/I ratio (%) stood at ~20% in 1QFY27


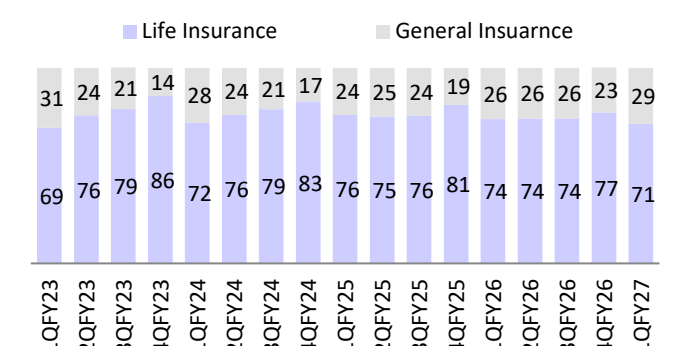
Source: MOFSL, Company

Exhibit 8: EBITDA margins (%) were stable QoQ


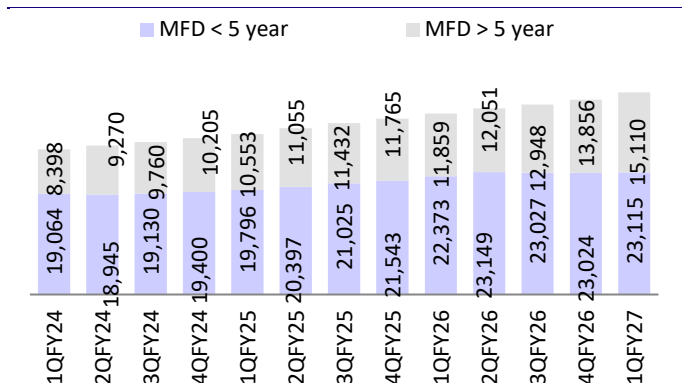
Source: MOFSL, Company

Exhibit 9: PAT margin stood at 22% in 1QFY27


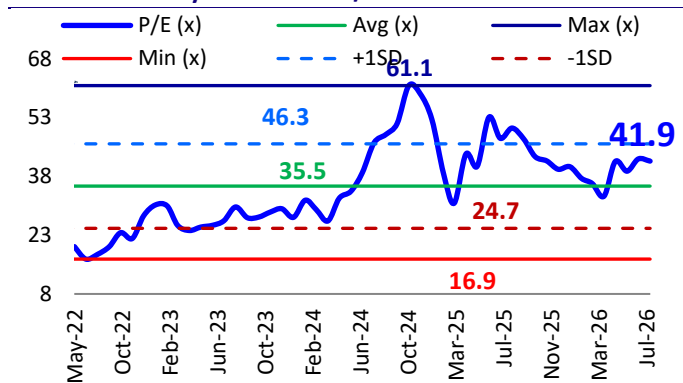
Source: MOFSL, Company

Exhibit 10: Insurance premium mix (%)


Source: MOFSL, Company

Exhibit 11: MFD trends


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	2026	2027E	2028E
Commission and Fees Income	2,293	2,776	4,428	6,048	7,990	10,960	13,065	14,928	18,059
Other Operating income	55	89	80	65	60	76	109	119	131
Revenue From Operations	2,348	2,865	4,508	6,113	8,050	11,036	13,174	15,048	18,190
Change (%)	5.8	22.0	57.3	35.6	31.7	37.1	19.4	14.2	20.9
Commission and Fees expenses	1,205	1,531	2,464	3,252	4,354	6,380	7,645	8,262	10,009
Employee benefits expense	489	555	693	833	928	1,109	1,378	1,708	1,964
Impairment of FI	12	20	-1	-20	0	0	0	0	0
Other expenses	176	140	199	295	837	922	1,049	1,309	1,546
Operating Expenses	1,882	2,246	3,355	4,359	6,119	8,412	10,071	11,279	13,519
Change (%)	2.4	19.4	49.4	29.9	40.4	37.5	19.7	12.0	19.9
Operating Profit	467	619	1,153	1,754	1,931	2,624	3,103	3,769	4,671
Other Income	14	84	78	75	196	299	233	543	666
Depreciation	79	81	134	240	248	279	308	327	346
Finance Cost	27	17	26	21	21	24	48	64	77
Exceptional items	0	0	0	0	0	0	0	0	0
Profit Before Tax	374	605	1,071	1,568	1,858	2,621	2,980	3,921	4,913
Change (%)	30.6	61.7	77.0	46.4	18.5	41.1	13.7	31.6	25.3
Tax	96	152	268	401	471	664	759	980	1,228
Tax Rate (%)	25.6	25.2	25.0	25.6	25.3	25.3	25.5	25.0	25.0
PAT	279	453	803	1,167	1,387	1,957	2,221	2,940	3,685
Change (%)	32.5	62.6	77.4	45.2	18.9	41.1	13.5	32.4	25.3
Dividend	5	5	41	62	83	104	145	186	228

Balance Sheet									
Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Equity Share Capital	10	10	207	207	207	207	207	207	207
Reserves & Surplus	1,115	1,566	2,169	3,293	4,607	6,470	8,620	11,374	14,832
Net Worth	1,125	1,576	2,376	3,500	4,814	6,677	8,827	11,581	15,039
Borrowings	78	26	0	0	0	0	0	0	0
Other Liabilities	758	1,247	1,624	1,699	2,762	2,760	3,417	3,588	3,767
Total Liabilities	1,961	2,850	4,000	5,199	7,576	9,437	12,244	15,169	18,806
Cash and Investments	1,035	1,598	967	2,127	3,780	5,436	6,823	9,094	11,952
Change (%)	41.4	54.4	-39.5	120.0	77.7	43.8	25.5	33.3	31.4
Loans	9	5	7	9	10	11	175	192	211
Net Fixed Assets	179	166	157	148	163	303	302	347	434
Current Assets	737	1,080	2,870	2,915	3,622	3,686	4,945	5,537	6,209
Total Assets	1,961	2,850	4,000	5,199	7,576	9,437	12,244	15,169	18,806

E: MOSL Estimates

Financials and valuations

Cash Flow

INR m	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
PAT	279	453	803	1,167	1,387	1,957	2,221	2,940	3,685
Change in Accumulated Depreciation	79	81	134	240	248	279	308	327	346
Change in Reserves	21	3	38	19	9	10	75	0	0
Finance cost	27	17	26	21	21	24	48	64	77
Other Income	-14	-84	-78	-75	-196	-299	-233	-543	-666
Change in Working Capital	173	143	45	-110	207	-220	316	-358	-410
Cashflow from Operation	565	614	968	1,261	1,676	1,750	2,734	2,431	3,032
Other Income	14	84	78	75	196	299	233	543	666
Change in Investments	6	-140	-188	-1,040	-1,031	-1,194	-2,313	-1,178	-1,760
Change in Loans	-129	-46	6	38	33	102	36	17	18
Change in Fixed Asset	-111	-71	-1,614	-137	-139	-367	-1,259	-452	-533
Cashflow from Investing	-220	-172	-1,718	-1,064	-941	-1,160	-3,304	-1,071	-1,610
Interest Expense	-27	-17	-26	-21	-21	-24	-48	-64	-77
Dividend Expense	-5	-5	-41	-62	-83	-104	-145	-186	-228
Cashflow from Financing	-32	-22	-67	-83	-104	-127	-192	-250	-305
Net Cashflow	313	419	-818	123	622	463	-762	1,110	1,118
Opening Cash	660	973	1,392	575	698	1,320	1,783	1,021	2,131
Closing Cash	973	1,392	575	698	1,320	1,783	1,021	2,131	3,249

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
As a percentage of Revenues									
Commission and Fees Income	97.6	96.9	98.2	98.9	99.3	99.3	99.2	99.2	99.3
Other Operating income	2.4	3.1	1.8	1.1	0.7	0.7	0.8	0.8	0.7
Total cost	80.1	78.4	74.4	71.3	76.0	76.2	76.4	75.0	74.3
Commission and Fees expenses	51.3	53.4	54.7	53.2	54.1	57.8	58.0	54.9	55.0
Employee Cost	20.8	19.4	15.4	13.6	11.5	10.1	10.5	11.4	10.8
Other Opex Cost	8.0	5.6	4.4	4.5	10.4	8.4	8.0	8.7	8.5
PBT	15.9	21.1	23.8	25.7	23.1	23.8	22.6	26.1	27.0
PAT	11.9	15.8	17.8	19.1	17.2	17.7	16.9	19.5	20.3
Profitability Ratios (%)									
RoE	28.5	33.5	40.7	39.7	33.4	34.1	28.6	28.8	27.7
Dividend Payout Ratio	37.1	22.8	5.1	5.3	6.0	5.3	6.5	6.3	6.2

Valuations	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
BVPS (INR)	27.2	38.1	57.4	84.5	116.3	161.3	213.2	279.7	363.2
Price-BV (x)	105.0	75.0	49.7	33.8	24.6	17.7	13.4	10.2	7.9
EPS (INR)	6.7	11.0	19.4	28.2	33.5	47.3	53.6	71.0	89.0
Change (%)	32.7	62.6	77.2	45.1	18.9	41.1	13.5	32.4	25.3
Price-Earnings (x)	423.4	260.4	147.0	101.3	85.2	60.4	53.2	40.2	32.1
DPS (INR)	2.5	2.5	1.0	1.5	2.0	2.5	3.5	4.5	5.5
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2

E: MOFSL Estimates

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