

Prudent Corporate Advisory

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	PRUDENT IN
Equity Shares (m)	41
M.Cap.(INRb)/(USDb)	119.7 / 1.3
52-Week Range (INR)	4106 / 1955
1, 6, 12 Rel. Per (%)	-8/6/22
12M Avg Val (INR M)	126

Financials & Valuations (INRm)

Y/E March	2026	2027E	2028E
Revenues	13,174	15,475	18,812
Opex	10,071	11,396	13,846
PBT	2,980	4,199	5,167
PAT	2,221	3,142	3,875
EPS (INR)	53.6	75.9	93.6
EPS Gr. (%)	13.5	41.5	23.3
BV/Sh. (INR)	213.2	284.6	372.6

Ratios (%)

EBITDA Margin	23.6	26.4	26.4
PAT margin	16.9	20.3	20.6
RoE	28.6	30.5	28.5
Div. Payout	6.5	5.9	5.9

Valuations

P/E (x)	53.9	38.1	30.9
P/BV (x)	13.6	10.2	7.8
Div. Yield (%)	0.1	0.2	0.2

Shareholding Pattern (%)

As of	Sep-26	Jun-26	Sep-25
Promoter	55.3	55.3	55.3
DII	22.9	23.9	21.5
FII	14.6	14.3	16.9
Others	7.2	6.5	6.4

FII includes depository receipts

CMP: INR2,890 TP: INR3,200 (+11%) Neutral

Operating performance drives a PAT beat

- Prudent Corporate Advisory (Prudent) posted operating revenue of ~INR3.9b (+22% YoY/12% QoQ in 2QFY27; in line). For 1HFY27, revenue grew 20% YoY.
- Operating expenses grew 15% YoY/11% QoQ to INR2.9b (in line). However, its operational efficiency led to a 42% YoY/15% QoQ growth in EBITDA to INR1b (7% beat), with EBITDA margins of 26.4% (vs. 25.6% in 2QFY26). For 1HFY27, the company's EBITDA grew 38% YoY.
- Prudent's PAT grew 34% YoY/declined 4% QoQ to INR717m (5% beat, led by strong operating performance). For 1HFY27, PAT grew 39% YoY.
- Its current AUM is below the 1HFY27 average, reversing the historical trend and providing scope for growth as market conditions improve. On the insurance distribution side, if the proposed distribution reforms are implemented as-is, they could dent profitability by up to ~12%, as per the management.
- We broadly retain our FY27/FY28 earnings estimates, with the impact of market volatility on AUM to be offset by operational efficiency. While we have not envisaged any impact of the proposed distribution reforms, a 50% dent in commission income can lead to a 9% cut in our FY28E earnings. We reiterate our Neutral rating on the stock with a TP of INR3,200, based on 34x FY28E EPS.

Strong quarterly net sales offset by negative MTM impact

- Prudent's QAAUM grew 21% YoY/8% QoQ to INR1.4t in 2QFY27. The current AUM has declined 1.2% compared with the 1HFY27 average AUM owing to the volatile market environment.
- The company's equity AUM (97% of closing AUM) grew 16% YoY/2% QoQ, driven by strong SIP inflows and lower redemptions.
- Commission and fees income included INR3.2b (+18% YoY) from the distribution of MF products, while the contribution from the distribution of insurance products rose 46% YoY to INR473m.
- Monthly SIP flows improved to ~INR13b (vs INR11b YoY), maintaining ~3.7% market share.
- Alternative assets (PMS, AIF and related products) AUM stands at ~20.3b, growing 37% YoY.
- Strong quarterly net sales (INR41.4b) in 2QFY27 offset the negative MTM impact on sequential AUM growth.
- Total insurance premium for the quarter stood at INR2.5b (+32% YoY), led by strong growth across segments, with life insurance premium at INR1.7b (+24% YoY) and general insurance premium at INR748m (+56% YoY). Insurance distribution revenue grew 46% YoY.
- The MF revenue growth of 18.1% YoY was slower than the QAAUM growth of 20.7% YoY.

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

- The gross yields for the quarter stood at 89.3bp vs. 88.2bp in 1QFY27.
- Revenue from the stockbroking segment increased 18% YoY/dipped 7% QoQ at INR52m. Revenue from other financial and non-financial products rose 41% YoY to INR117m.
- Other income stood at INR38m vs. INR82m in 2QFY26 and INR208m in 1QFY27 as higher bond yields led to MTM losses on the debt portfolio.
- Operating expenses grew 15% YoY/11% QoQ to INR2.9b. The CIR (excluding commission) came in at 19.2% vs. 17.9% in 2QFY26 and 19.7% in 1QFY27.
- Commission & Fee Expenses rose 11% YoY/11% QoQ to INR2.1b, while other expenses grew 30% YoY/17% QoQ to INR315m. Employee costs grew 31% YoY/3% QoQ to INR431m.

Key takeaways from the management commentary

- Tighter insurance commissions may prompt individual agents to diversify into mutual fund distribution, giving Prudent the potential to expand its MFD network.
- IDEs require adequate compensation for technology, claims support and other infrastructure, and hence, the industry is seeking a level playing field vs. individual agents.
- More than 90% overlap between MFD and PoSP relationships at the family level supports cross-selling.

Valuation and view

- Prudent delivered a healthy 2QFY27 performance, with PAT outperforming expectations driven by strong operating performance. Core business momentum remains strong, supported by healthy AUM growth, resilient SIP inflows, robust insurance premium growth and continued traction across alternate products. The proposed commission framework could have a greater impact on standalone insurance agents than on multi-line distributors.
- We broadly retain our FY27/FY28 earnings estimates, with the impact of market volatility on AUM to be offset by operational efficiency. While we have not envisaged any impact of the proposed distribution reforms, a 50% dent in commission income can lead to a 9% cut in our FY28E earnings. **We reiterate our Neutral rating on the stock with a TP of INR3,200, based on 34x FY28E EPS.**

Quarterly performance

(INR m)

	FY26				FY27				FY26	FY27E	2QFY27E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Commission and Fees Income	2,910	3,168	3,407	3,579	3,443	3,850	3,905	4,147	13,065	15,345	3,700	4.1	22%	12%
Other Operating revenue	28	30	25	27	33	37	30	29	109	130	30	24.7	26%	13%
Revenue from Operations	2,938	3,198	3,432	3,606	3,476	3,887	3,935	4,177	13,174	15,475	3,730	4.2	22%	12%
Change YoY (%)	17.8	11.8	20.4	27.5	18.3	21.6	14.7	15.8	19.4	17.5	16.6			
Operating Expenses	2,265	2,476	2,654	2,676	2,586	2,859	2,909	3,042	10,071	11,396	2,771	3.2	15%	11%
Change YoY (%)	18.9	13.9	21.1	24.9	14.2	15.5	9.6	13.7	19.7	13.2	11.9			
EBIDTA	673	722	778	930	891	1,028	1,026	1,135	3,103	4,079	959	7.2	42%	15%
Depreciation	72.5	76.8	80.2	78.7	80.0	87.6	90.0	93.8	308	351	82	6.8	14%	9%
Finance Cost	6.9	7.3	16.9	16.4	16.8	17.6	18.0	18.9	48	71	17	3.4	141%	5%
Other Income	103	82	95	-47	208	38	145	151	233	543	50	-24.0	-54%	-82%
PBT	696	719	776	788	1,002	961	1,063	1,173	2,980	4,199	910	5.6	34%	-4%
Change YoY (%)	17.5	3.8	20.3	14.3	44.1	33.6	37.0	48.8	13.7	40.9	26.5			
Tax Provisions	178.1	184.0	199.7	197.1	254.7	243.8	265.7	293.1	759	1,057	227	7.2	32%	-4%
Net Profit	518	535	576	591	748	717	797	880	2,221	3,142	682	5.1	34%	-4%
Change YoY (%)	17.1	4.0	19.6	14.5	44.4	33.9	38.3	48.9	13.5	41.5	27.4			
Key Operating Parameters (%)														
EBIDTA Margin	22.9	22.6	22.7	25.8	25.6	26.4	26.1	27.2	23.6	26.4	25.7	74bp	387bp	82bp
Cost to Income Ratio	18.2	17.9	18.4	19.1	19.7	19.2	19.5	18.9	18.4	19.3	19.4	-20bp	129bp	-55bp
PBT Margin	23.7	22.5	22.6	21.9	28.8	24.7	27.0	28.1	22.6	27.1	24.4	32bp	222bp	-412bp
Tax Rate	25.6	25.6	25.7	25.0	25.4	25.4	25.0	25.0	25.5	25.2	25.0	37bp	-20bp	-4bp
PAT Margins	17.6	16.7	16.8	16.4	21.5	18.4	20.3	21.1	16.9	20.3	18.3	15bp	170bp	-306bp
MF revenue / QAAUM (bp)	90.3	91.3	92.2	90.0	88.2	89.3	88.0	87.0	91.4	91.4	88.1	125bp		
Revenue from Operations (INR Mn)														
Commission and Fees Income														
Distribution of MF Products-Trail Revenue	2,489	2,716	2,940	2,879	2,934	3,208	3,254	3,303	11,024	11,469	3,107	3.2	18%	9%
Distribution of Insurance Products	291	324	336	569	351	473	487	678	1,520	1,580	437	8.1	46%	35%
Stock Broking and Allied Services	50	44	44	47	56	52	53	54	185	191	50	4.0	18%	-7%
Other Financial and Non-Financial Products	80	83	86	84	102	117	110	112	333	355	105	11.4	41%	15%
Revenue from Operations Mix (%)														
As % of Commission and Fees Income														
Distribution of MF Products-Trail Revenue	84.7	84.9	85.7	79.8	84.4	82.5	82.7	79.1	83.7	74.1	83.3	-79bp	-241bp	-187bp
Distribution of Insurance Products	9.9	10.1	9.8	15.8	10.1	12.2	12.4	16.2	11.5	10.2	11.7	44bp	204bp	207bp
Stock Broking and Allied Services	1.7	1.4	1.3	1.3	1.6	1.3	1.3	1.3	1.4	1.2	1.3	0bp	-4bp	-27bp
Other Financial and Non-Financial Products	2.7	2.6	2.5	2.3	2.9	3.0	2.8	2.7	2.5	2.3	2.8	19bp	41bp	8bp
Opex Mix (%)														
Fees and commission	76.4	76.9	76.2	74.3	73.5	73.9	73.6	74.0	75.9	73.8	73.9	1bp	-298bp	45bp
Employees expenses	13.9	13.3	14.4	13.1	16.2	15.1	15.0	14.3	13.7	15.1	15.3	-22bp	176bp	-109bp
Other expenses	9.7	9.8	9.4	12.6	10.4	11.0	11.3	11.7	10.4	11.1	10.8	20bp	121bp	64bp



Key takeaways from the management commentary

Regulations

- The proposed pay-out structure for insurance distribution entities (IDE), if implemented as-is, could dent profitability by ~12%.
- IDEs require adequate compensation for technology, claims support and other infrastructure, and hence industry is seeking a level playing field versus individual agents.
- Tighter insurance commissions may prompt individual agents to diversify into mutual fund distribution, potentially intensifying competition but also expanding platform awareness and industry participation.
- Prudent could also benefit from redeploying insurance bandwidth towards mutual funds and improving organisation-level productivity.
- Industry participants have submitted data on persistency and other operating metrics, with the regulator seeking further information.
- The proposed commission framework could have a greater impact on standalone insurance agents than on multi-line distributors.

Performance

- Highest-ever quarterly net sales in 2QFY27, offset negative MTM impact on sequential AUM growth.
- Investor maturity and continued participation supported record quarterly net sales, although growth has moderated amid weak markets.
- QAAUM remained strong as market weakness emerged largely towards September-end.
- Current AUM is below the 1HFY27 average, reversing the historical trend and providing scope for growth as market conditions improve.
- Higher bond yields resulted in mark-to-market losses on the debt portfolio, driving a sequential decline in other income.
- ~1,792 distributors have obtained SIF registration, while SIF AUM has reached nearly INR9b.

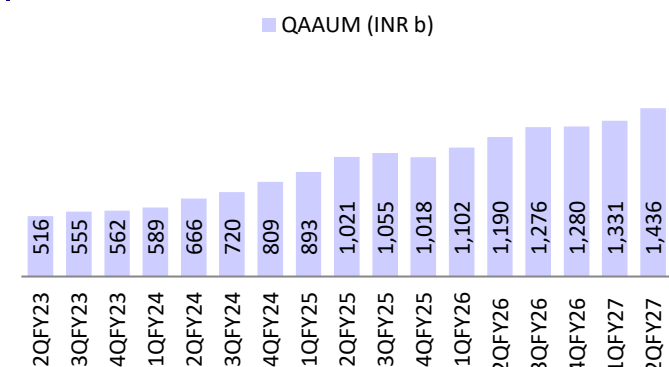
Mutual funds

- Prudent is applying for an MF-PMS licence and expects the business to become operational by Apr'27, subject to regulatory approval.
- The existing distribution platform can be leveraged to serve HNI clients.
- With permitted MF-PMS yields of ~1%, management expects margins to be broadly in line with the existing mutual fund distribution business.

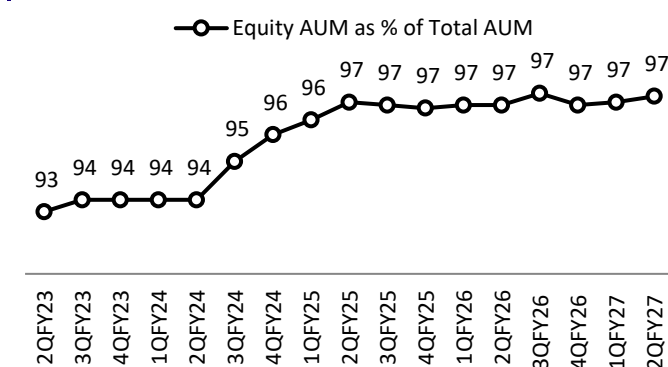
Insurance

- Insurance revenue benefited from strong fresh business growth of 54% YoY in general insurance and 37% YoY in life insurance.
- More than 90% overlap between MFD and PoSP relationships at the family level supports cross-selling.
- Insurance is often an extension of the existing mutual fund relationship rather than a standalone customer acquisition channel.
- Insurance distribution margins remain broadly comparable to mutual funds.

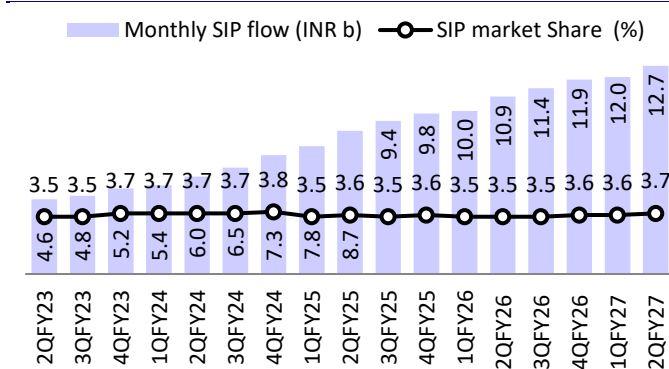
Story in charts

Exhibit 1: QAAUM continued to grow


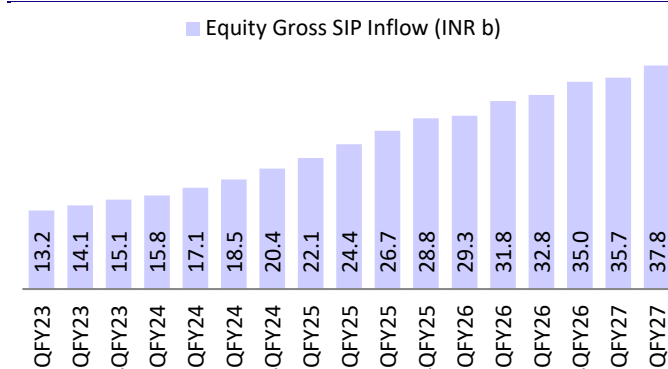
Source: Company, MOFSL

Exhibit 2: Share of Equity AUM remained stable


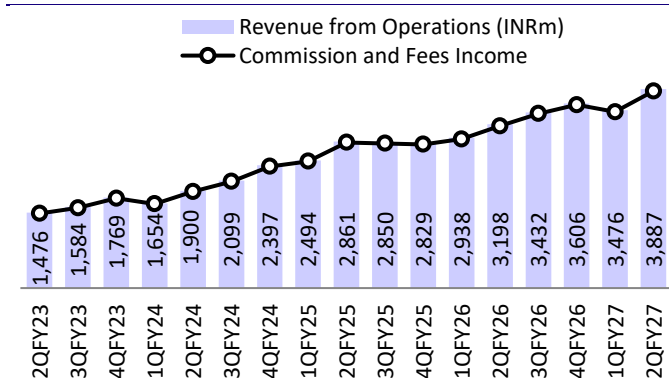
Source: Company, MOFSL

Exhibit 3: Monthly SIP flows increased sequentially


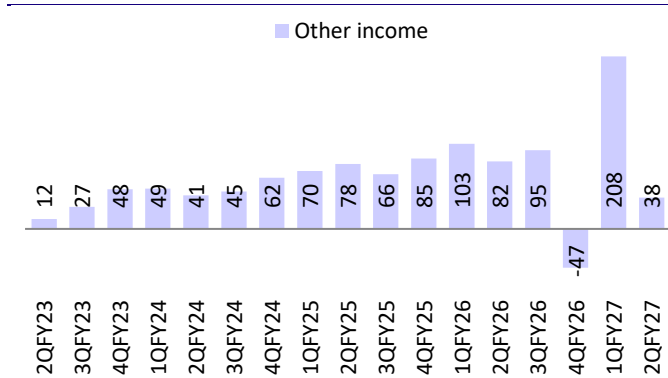
Source: Company, MOFSL

Exhibit 4: Equity SIP flows continued to grow steadily


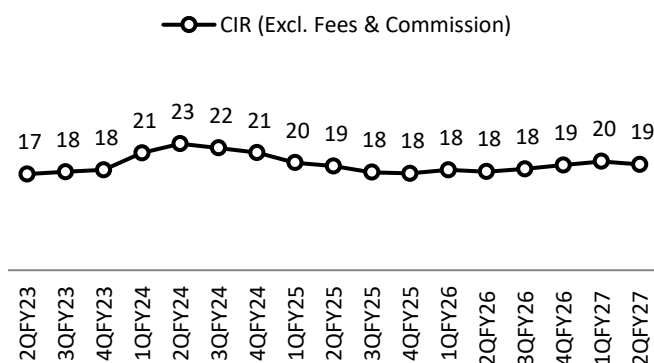
Source: Company, MOFSL

Exhibit 5: Revenue stood at INR3.9b in 2QFY27


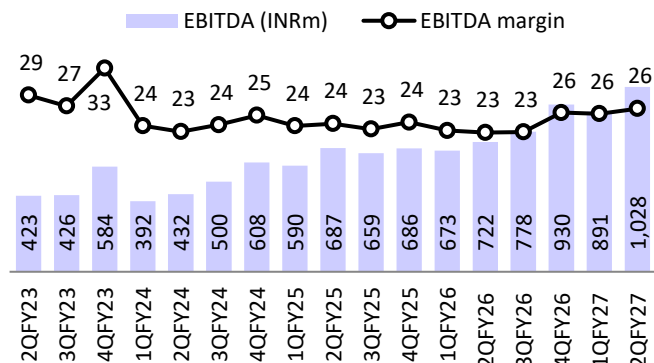
Source: MOFSL, Company

Exhibit 6: Other income declined sequentially


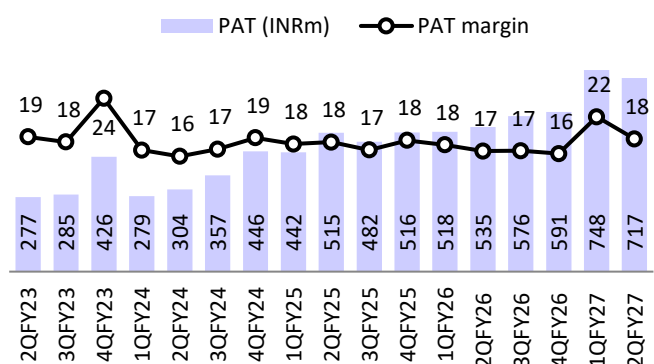
Source: MOFSL, Company

Exhibit 7: C/I ratio (%) stood at ~19% in 2QFY27


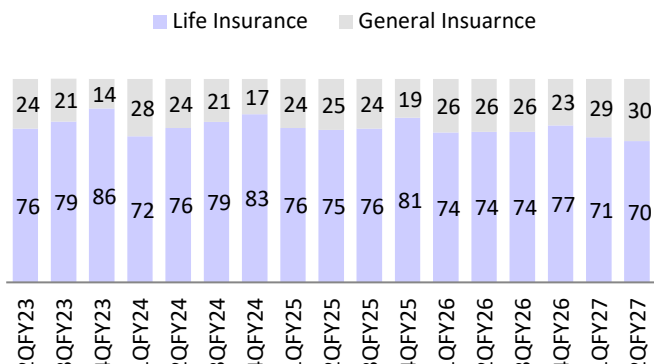
Source: MOFSL, Company

Exhibit 8: EBITDA margin (%) was stable QoQ


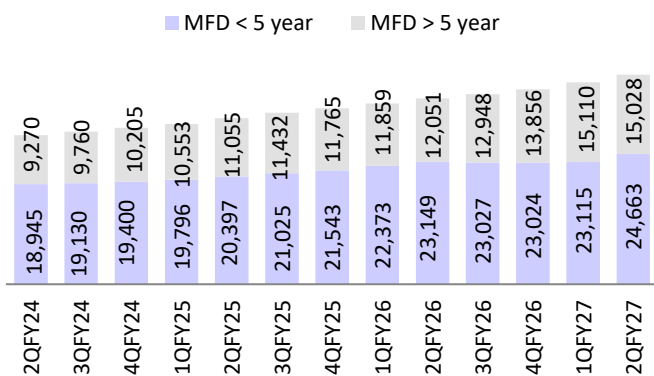
Source: MOFSL, Company

Exhibit 9: PAT margin stood at 18% in 2QFY27


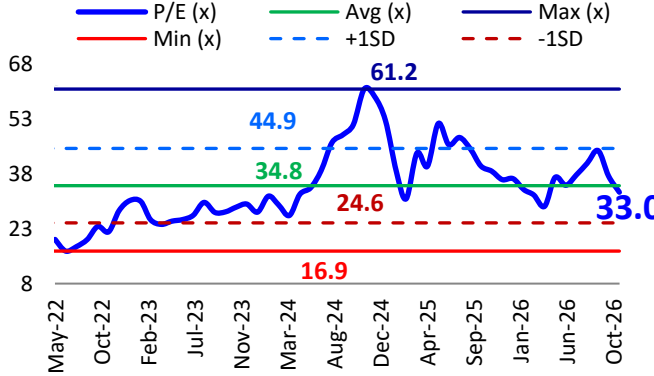
Source: MOFSL, Company

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	15,345	18,670
Other Operating income	55	89	80	65	60	76	109	130	143
Revenue From Operations	2,348	2,865	4,508	6,113	8,050	11,036	13,174	15,475	18,812
Change (%)	5.8	22.0	57.3	35.6	31.7	37.1	19.4	17.5	21.6
Commission and Fees expenses	1,205	1,531	2,464	3,252	4,354	6,380	7,645	8,405	10,237
Employee benefits expense	489	555	693	833	928	1,109	1,378	1,722	2,066
Impairment of FI	12	20	-1	-20	0	0	0	0	0
Other expenses	176	140	199	295	837	922	1,049	1,269	1,543
Operating Expenses	1,882	2,246	3,355	4,359	6,119	8,412	10,071	11,396	13,846
Change (%)	2.4	19.4	49.4	29.9	40.4	37.5	19.7	13.2	21.5
Operating Profit	467	619	1,153	1,754	1,931	2,624	3,103	4,079	4,966
Other Income	14	84	78	75	196	299	233	543	666
Depreciation	79	81	134	240	248	279	308	351	372
Finance Cost	27	17	26	21	21	24	48	71	93
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	4,199	5,167
Change (%)	30.6	61.7	77.0	46.4	18.5	41.1	13.7	40.9	23.0
Tax	96	152	268	401	471	664	759	1,057	1,292
Tax Rate (%)	25.6	25.2	25.0	25.6	25.3	25.3	25.5	25.2	25.0
PAT	279	453	803	1,167	1,387	1,957	2,221	3,142	3,875
Change (%)	32.5	62.6	77.4	45.2	18.9	41.1	13.5	41.5	23.3
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	11,576	15,223
Net Worth	1,125	1,576	2,376	3,500	4,814	6,677	8,827	11,783	15,430
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	15,371	19,197
Cash and Investments	1,035	1,598	967	2,127	3,780	5,436	6,823	9,295	12,344
Change (%)	41.4	54.4	-39.5	120.0	77.7	43.8	25.5	36.2	32.8
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	15,371	19,197

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	3,142	3,875
Change in Accumulated Depreciation	79	81	134	240	248	279	308	351	372
Change in Reserves	21	3	38	19	9	10	75	0	0
Finance cost	27	17	26	21	21	24	48	71	93
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	2,664	3,264
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	-477	-560
Cashflow from Investing	-220	-172	-1,718	-1,064	-941	-1,160	-3,304	-1,095	-1,636
Interest Expense	-27	-17	-26	-21	-21	-24	-48	-71	-93
Dividend Expense	-5	-5	-41	-62	-83	-104	-145	-186	-228
Cashflow from Financing	-32	-22	-67	-83	-104	-127	-192	-258	-320
Net Cashflow	313	419	-818	123	622	463	-762	1,311	1,308
Opening Cash	660	973	1,392	575	698	1,320	1,783	1,021	2,332
Closing Cash	973	1,392	575	698	1,320	1,783	1,021	2,332	3,640

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	99.2
Other Operating income	2.4	3.1	1.8	1.1	0.7	0.7	0.8	0.8	0.8
Total cost	80.1	78.4	74.4	71.3	76.0	76.2	76.4	73.6	73.6
Commission and Fees expenses	51.3	53.4	54.7	53.2	54.1	57.8	58.0	54.3	54.4
Employee Cost	20.8	19.4	15.4	13.6	11.5	10.1	10.5	11.1	11.0
Other Opex Cost	8.0	5.6	4.4	4.5	10.4	8.4	8.0	8.2	8.2
PBT	15.9	21.1	23.8	25.7	23.1	23.8	22.6	27.1	27.5
PAT	11.9	15.8	17.8	19.1	17.2	17.7	16.9	20.3	20.6
Profitability Ratios (%)									
RoE	28.5	33.5	40.7	39.7	33.4	34.1	28.6	30.5	28.5
Dividend Payout Ratio	37.1	22.8	5.1	5.3	6.0	5.3	6.5	5.9	5.9

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	284.6	372.6
Price-BV (x)	106.4	75.9	50.4	34.2	24.9	17.9	13.6	10.2	7.8
EPS (INR)	6.7	11.0	19.4	28.2	33.5	47.3	53.6	75.9	93.6
Change (%)	32.7	62.6	77.2	45.1	18.9	41.1	13.5	41.5	23.3
Price-Earnings (x)	428.9	263.8	148.9	102.6	86.3	61.2	53.9	38.1	30.9
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: MOSL Estimates

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