

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

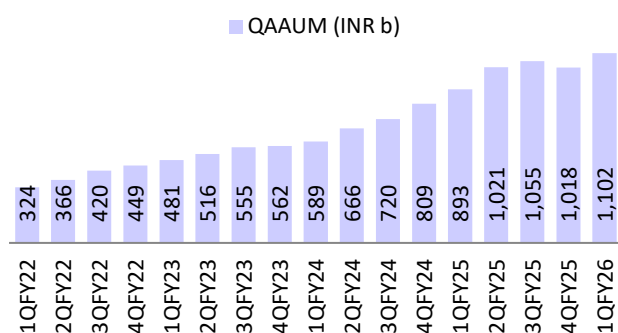
- We expect the revenue growth trajectory to remain in high teens during the medium to long term, primarily due to: 1) the rising MF AUM, mainly led by an improving SIP participation, 2) focus on a one-stop-shop solution, which should result in a rise in distribution revenue from higher-margin products 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).

- 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.

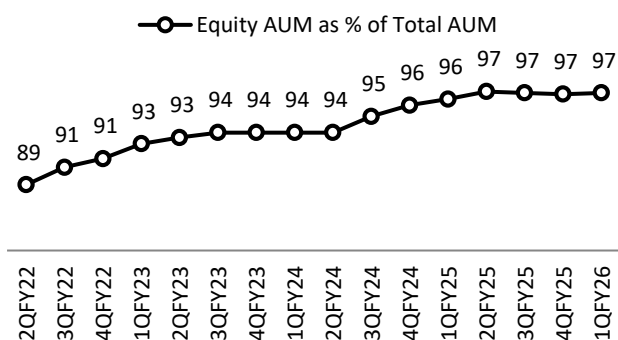
Insurance Distribution

- 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.

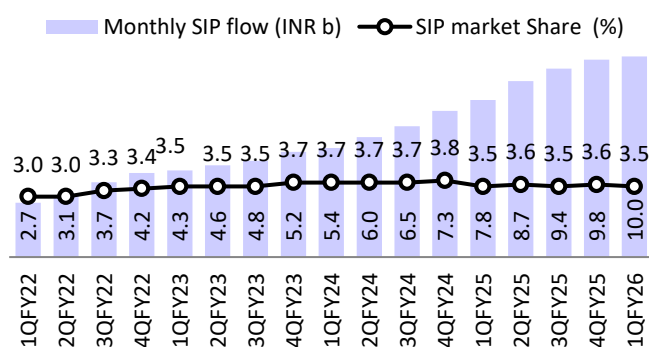
Story in charts

Exhibit 1: Trend in QAAUM growth


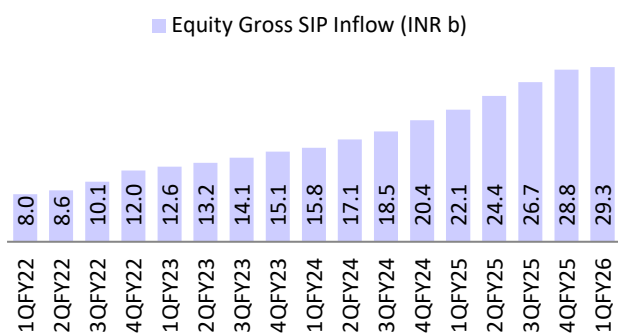
Source: Company, MOFSL

Exhibit 2: Share of Equity AUM remained stable


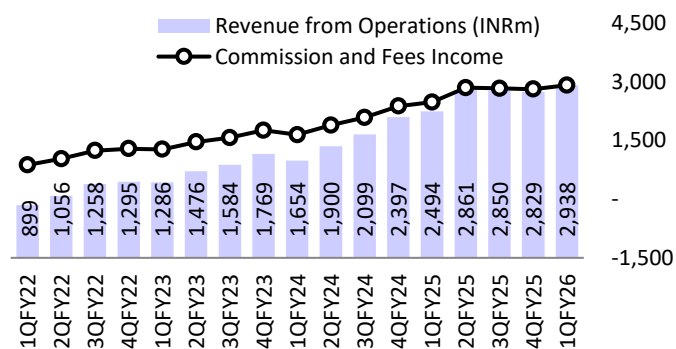
Source: Company, MOFSL

Exhibit 3: Monthly SIP flows on an upward trajectory


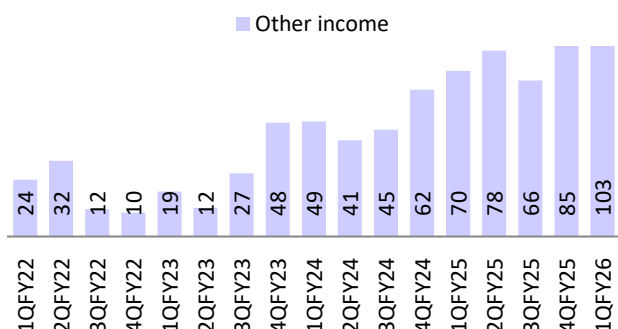
Source: Company, MOFSL

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

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

