

Prudent Corporate Advisory

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR2,437

TP: INR2,300 (-6%)

Neutral

Higher margins and other income drive a beat on PAT

Bloomberg	PRUDENT IN
Equity Shares (m)	41
M.Cap.(INRb)/(USDb)	100.9 / 1.2
52-Week Range (INR)	3741 / 1439
1, 6, 12 Rel. Per (%)	0/-20/49
12M Avg Val (INR M)	232

Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Revenues	11,036	12,659	15,508
Opex	8,412	9,741	11,888
PBT	2,621	3,002	3,832
PAT	1,957	2,239	2,859
EPS (INR)	47.3	54.1	69.0
EPS Gr. (%)	41.1	14.4	27.7
BV/Sh. (INR)	32.3	41.9	53.9
Ratios (%)			
EBITDA Margin	23.8	23.1	23.3
PAT margin	17.7	17.7	18.4
RoE	34.1	29.2	28.8
Div. Payout	5.3	11.1	13.0

Valuations

P/E (x)	51.6	45.1	35.3
P/BV (x)	75.6	58.2	45.2
Div. Yield (%)	0.1	0.2	0.4

Shareholding Pattern (%)

As of	Mar-25	Dec-24	Mar-24
Promoter	55.7	55.7	58.4
DII	20.7	23.6	15.7
FII	17.6	14.8	12.1
Others	5.9	5.9	13.8

FII includes depository receipts

- Prudent Corporate Advisory (Prudent) posted an op. revenue of INR2.8b, +18% YoY (in line) in 4QFY25. Revenue growth was fueled by an 18% YoY jump in commission & fees income to INR2.8b. For FY25, operating revenue grew 37% YoY to INR11b.
- EBITDA grew 13% YoY to INR686m (15% beat), reflecting an EBITDA margin of 24.3% (vs. 25.4% in 4QFY24 and our est. of 21.7%). Operating expenses rose 20% YoY to INR2.1b (in line), with fees & commission expenses/employee expenses growing 29%/5% YoY, while other expenses dipped 9% YoY.
- Prudent's PAT at INR516m rose 16% YoY (16% beat). For FY25, PAT grew 41% YoY to ~INR2b. Barring the impact of the shift in AUM mix towards the partner channel (that carries a higher payout), FY25 PAT growth would have been 55% YoY.
- In FY26, net equity sales are expected to broadly mirror SIP inflows. Management highlighted that while long-term trends point to a close alignment between net sales and SIP contributions, YoY variations may still occur.
- We cut our earnings estimates by 8% each for FY26/27 due to a decline in blended yields and higher commission payouts. However, we expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 19%/17%/21% 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 INR2,300 (based on 33x EPS FY27E).

Robust growth in gross equity sales backed by strong SIP flows

- Prudent's QQAUM stood at INR1t, up 26% YoY. Monthly SIP flow grew to INR9.81b from INR7.26b in 4QFY24, despite weak markets.
- Total premium for the quarter came in at INR2.6b (+17% YoY), of which life insurance premium stood at INR2.1b (+15% YoY) and general insurance premium stood at INR494m (+29% YoY).
- Commission and fees income for the quarter rose 18% YoY to INR2.8b, of which INR2.3b (+26% YoY) was contributed by the distribution of MF products and INR402m (+2% YoY) by insurance products, respectively.
- Revenue from the distribution of MF grew 26% YoY, fueled by strong SIP inflows and active participation from MFDs. However, it dipped 5% QoQ because of fewer trading days and MTM impact due to weaker markets.
- Revenue from the sale of insurance products increased 2% YoY and 41% QoQ. The life insurance fresh book grew 88% QoQ in 4QFY25, benefiting from a low base in 3Q due to the impact of the surrender charges regulation. Meanwhile, the general insurance fresh book rose 40% YoY in FY25, although yields were subdued due to deferred revenue recognition, pushing some earnings into the following quarter.
- Revenue from the stockbroking segment dipped 46%/16% YoY, mainly due to reduced market activity amid weak sentiment.
- Revenue from other financial and non-financial products declined 18% YoY, mainly due to the discontinuation of P2P product flows since Aug'24 (RBI regulations); however, it is expected to be offset by the healthy traction in the AIF/PMS/FD segments.

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

- Other income rose 37% YoY to INR85m (11% beat) in 4QFY25.
- Commission and payout expenses rose ~300bp in FY25, of which ~180bp increase was due to the 3% shift in AUM mix toward the partner channel (higher payout), while the rest was attributed to an additional trail scheme aimed at boosting net sales. Total payout for the year was up at 64.1% from 61.1% in FY24. Management guides for payout to remain in the range of 64%.
- Employee expenses fell 19% sequentially to INR243m due to reduced provisioning for variable costs, while the fixed component rose by 14.5% YoY.
- The company has submitted a new ESOP plan for shareholder approval. About 1.65m shares (about 4% of total shares) are proposed to be issued under this plan over the next 10 years. For FY26, ESOP-related costs are expected to be 2.5-2.75% of PBT, with the financial impact beginning in 2QFY25.

Key takeaways from the management commentary

- Three to four AMCs have reduced trail commissions, which Prudent has passed on. About 12% of the overall AUM and 10% of the equity AUM have been repriced, with an expected impact of ~1.3-1.4bp on gross yields.
- Management estimates that for every 1% rise in AUM, payout is likely to increase by ~65bp.
- AIF and PMS AUM for FY25 grew 80% YoY in FY25, with the book at INR12b as of Mar'25 (10% higher than average FY25). Fixed deposit mobilizations rose 43% YoY, with two new bank FDs being added.

Valuation and view

- We expect the revenue growth momentum to be sustained in the medium to long term, primarily because of the following reasons: 1) rising MF AUM mainly led by 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 the AIF/PMS/FD segments.
- We cut our earnings estimates by 8% each for FY26/27 due to a decline in blended yields and higher commission payouts. However, we expect Prudent to deliver a revenue/EBITDA/PAT CAGR of 19%/17%/21% 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 INR2,300 (based on 33x EPS FY27E).

												(INR m)		
Quarterly Performance Y/E March	FY24				FY25				FY24	FY25	4QFY25E	Act v/t Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
Commission and Fees Income	1,644	1,886	2,084	2,376	2,477	2,845	2,827	2,809	7,990	10,958	2,736	2.7	18%	-1%
Other Operating revenue	10	14	15	21	17	15	23	20	61	76	22	-7.5	-4%	-13%
Revenue from Operations	1,654	1,900	2,099	2,397	2,494	2,861	2,850	2,829	8,051	11,034	2,758	2.6	18%	-1%
Change YoY (%)	28.7	28.7	32.5	35.5	50.8	50.5	35.8	18.0	31.7	37.1	15.1			
Operating Expenses	1,262	1,469	1,599	1,789	1,904	2,174	2,191	2,143	6,120	8,412	2,160	-0.8	20%	-2%
Change YoY (%)	31.1	39.4	38.1	51.0	50.8	48.0	37.0	19.8	40.4	37.5	20.7			
EBITDA	392	432	500	608	590	687	659	686	1,932	2,622	598	14.8	13%	4%
Depreciation	59.6	61.3	63.0	64.3	62.9	67.2	73.7	74.8	248	279	74	0.8	16%	2%
Finance Cost	6.0	5.0	3.6	7.8	4.9	5.7	6.4	6.7	21	24	6	4.0	-14%	5%
Other Income	49	41	45	62	70	78	66	85	196	299	77	10.9	37%	29%
PBT	375	406	479	598	592	693	645	690	1,858	2,619	594	16.2	15%	7%
Change YoY (%)	34.1	9.6	24.4	5.6	57.9	70.6	34.7	15.4	18.5	41.1	-0.7			
Tax Provisions	95.5	101.7	121.6	152.1	149.9	177.9	163.1	173.5	471	664	150	15.7	14%	6%
Net Profit	279	304	357	446	442	515	482	516	1,387	1,955	444	16.4	16%	7%
Change YoY (%)	31.4	10.0	25.1	4.6	58.3	69.2	35.0	15.9	18.9	40.9	-0.4			
Key Operating Parameters (%)														
EBITDA Margin	23.7	22.7	23.8	25.4	23.6	24.0	23.1	24.3	24.0	23.8	21.7	259bp	-110bp	113bp
Cost to Income Ratio	21.3	23.0	22.2	21.3	19.5	18.9	17.8	17.6	21.9	18.4	19.4	-178bp	-376bp	-20bp
PBT Margin	22.7	21.4	22.8	24.9	23.7	24.2	22.6	24.4	23.1	23.7	21.5	286bp	-55bp	175bp
Tax Rate	25.5	25.0	25.4	25.4	25.3	25.7	25.3	25.2	25.3	25.4	25.3	-10bp	-30bp	-14bp
PAT Margins	16.9	16.0	17.0	18.6	17.7	18.0	16.9	18.2	17.2	17.7	16.1	216bp	-34bp	134bp
MF revenue / QAAUM (bps)	94.1	91.3	91.9	90.0	91.9	91.8	91.8	90.3	91.8	91.3	82.6	767bp		
Revenue from Operations (INR m)														
Commission and Fees Income														
Distribution of MF Products- Trail Revenue	1,385	1,519	1,653	1,820	2,052	2,343	2,421	2,297	6,377	7,044	2,224	3.3	26%	-5%
Distribution of Insurance Products	163	251	299	395	261	339	286	402	1,108	1,206	390	3.1	2%	41%
Stock Broking and Allied Services	41	59	61	76	77	73	49	41	237	273	49	-16.0	-46%	-16%
Other Financial and Non-Financial Products	56	57	71	84	87	90	71	69	268	299	74	-6.2	-18%	-3%
Revenue from Operations Mix (%)														
As % of Commission and Fees Income														
Distribution of MF Products- Trail Revenue	83.7	79.9	78.7	75.9	82.3	81.9	84.9	81.2	79.2	63.8	80.6	56bp	526bp	-375bp
Distribution of Insurance Products	9.9	13.2	14.2	16.5	10.5	11.9	10.0	14.2	13.8	10.9	14.1	7bp	-227bp	418bp
Stock Broking and Allied Services	2.5	3.1	2.9	3.2	3.1	2.6	1.7	1.4	2.9	2.5	1.8	-32bp	-172bp	-27bp
Other Financial and Non-Financial Products	3.4	3.0	3.4	3.5	3.5	3.1	2.5	2.4	3.3	2.7	2.7	-23bp	-107bp	-5bp



Key takeaways from the management commentary

Business:

- The opening AUM stood at ~INR 1.09t, reflecting a 9.2% increase over FY25. Net sales in April 2025 were comparable to the same month last year, although early May has seen some moderation.
- Gross equity flows through SIPs remained stable and continued to scale despite volatility in the equity markets.
- An internal analysis comparing Prudent's equity AUM growth with Nifty returns and industry equity growth indicated that, despite weak Nifty returns, the equity AUM growth of Prudent remained higher than industry growth.
- The quarter saw a 3.6% decline in QAAUM and a 5.8% decline in equity AUM on a sequential basis, primarily due to mark-to-market losses amid weak equity markets.
- Brokerage business pay-out stood at ~55%, while pay-out for other products (excluding MF and insurance) was around 65%.
- The top five AMCs accounted for around 45-47% of overall gross sales in FY25.
- NFOs contributed about 10-12% of gross sales, which is lower than the industry average, while SIPs remain a major contributor to total gross sales.
- Out of 0.2m active MFDs in the industry, ~25k are associated with Prudent. Around 10-12% of the industry uses Prudent's technology platform.
- Commission is typically 8-10% lower for MFDs who directly manage AUM with AMCs. However, Prudent's B2B2C model, supported by its technology and back-office services, enhances MFD productivity and compensates for the lower commission.
- The company is not actively expanding its B2C segment. Around 90% of business is sourced from MFDs, with the balance from direct B2C. Management expects the MFD contribution to increase to 91-92% in FY26.
- General insurance business is largely focused on retail health insurance. The company is evaluating inorganic growth opportunities in this segment.
- The Fundzbazar platform has undergone a complete revamp. New features, including smallcase, insurance, and bank fixed deposits, have been launched to provide a more seamless and comprehensive experience for clients and distributors.

Financials:

- On a standalone basis, MF revenue declined by INR 38m (down 5.1% QoQ), which was steeper than the 3.6% dip in QAAUM. The drop was attributed to two fewer trading days in Mar'25 compared to Dec'24. Excluding this factor, the decline in MF revenue was proportionate to the decline in MF AUM.
- PMS and AIF earnings are based on trail commissions.
- Three to four AMCs have reduced trail commissions, and Prudent has passed on the changes. The impact on gross yield is estimated at ~1.3-1.4bp.
- There were no fresh P2P flows due to new RBI regulations. No revenue is expected from this segment in FY26. However, continued strong performance from AIF/PMS and fixed deposit segments is expected to offset this loss.

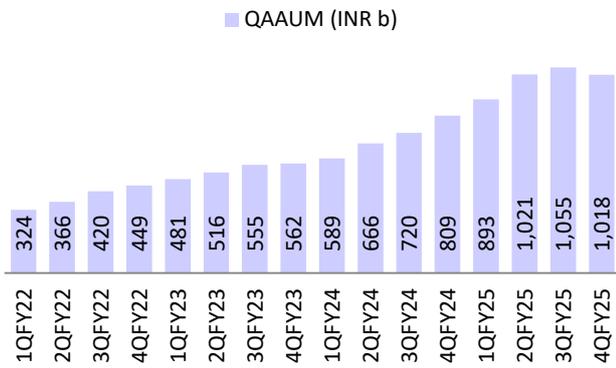
- The average AIF and PMS AUM for FY25 stood at INR 10.8b, marking an 80% YoY increase, with the total AIF/PMS book reaching INR 12b.
- The FD book grew 43% YoY. With the addition of two more bank FD products, further growth is anticipated.
- Commission and payout expenses rose by approximately 300bp in FY25. About 180bp of this increase was due to the shift in AUM mix toward the partner channel, while the rest was attributed to incremental payments aimed at boosting net sales. Total payout for the year was 64.1%.
- Management estimates that for every 1% increase in AUM, payout is expected to increase by around 65bp.
- The company added ~4.9k new distributors in FY25, representing a 56% increase YoY.
- Excluding the shift in AUM mix toward the partner channel (which carries higher pay-outs), PAT growth for FY25 would have been 55% YoY, instead of the reported 41.7%.
- Employee count stood at 1,430 at the end of FY25. Management plans to onboard 100-115 additional employees in FY26.
- On a consolidated basis, employee expenses fell 19% QoQ due to reduced provisioning for variable costs, while the fixed component rose 14.5% YoY.
- The company has submitted a new ESOP plan for shareholder approval. ~1.65m shares (about 4% of total shares) are proposed to be issued under this plan over the next 10 years. For FY26, ESOP-related costs are expected to be 2.5-2.75% of PBT, with the financial impact beginning in 2QFY26.

Yields:

- Three to four AMCs have reduced trail commissions, which Prudent has passed on. About 12% of the overall AUM and 10% of the equity AUM have been repriced, with an expected impact of ~1.3-1.4bp on gross yields.
- Yields from new business are higher than those from the existing book, influenced by NFO participation, scheme size, and other variables.
- ~6-7% of the book comprises Karvy assets, which currently generate lower yields. Redeployment of this capital is expected to enhance overall book yields.

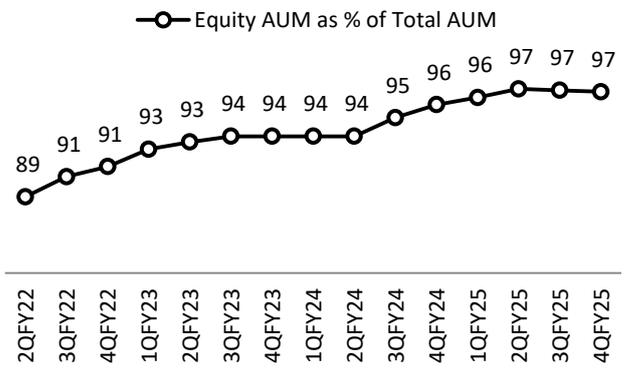
Story in charts

Exhibit 1: Trend in QAAUM growth



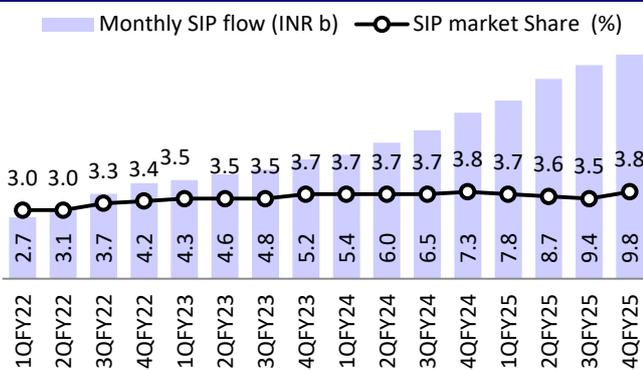
Source: Company, MOFSL

Exhibit 2: Share of Equity AUM remained stable



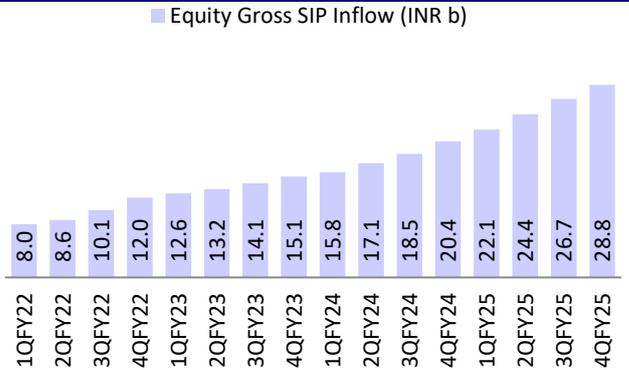
Source: Company, MOFSL

Exhibit 3: Monthly SIP flows on an upward trajectory



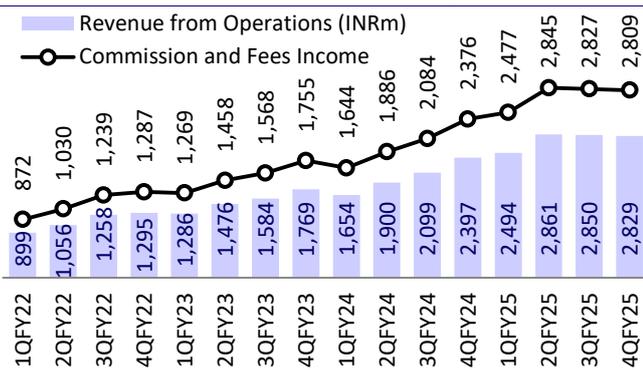
Source: Company, MOFSL

Exhibit 4: Trend in equity gross SIP flows



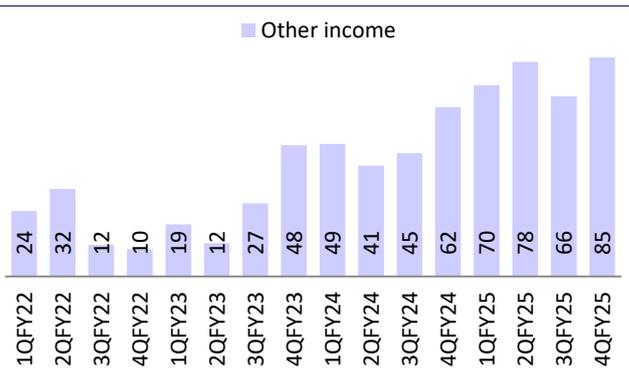
Source: Company, MOFSL

Exhibit 5: Revenue stood at INR2.8b in 4QFY25



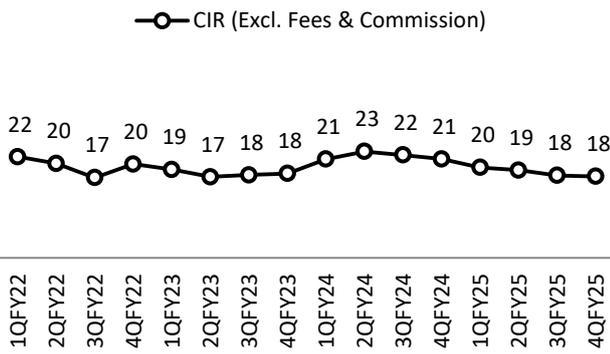
Source: MOFSL, Company

Exhibit 6: Trend in other income



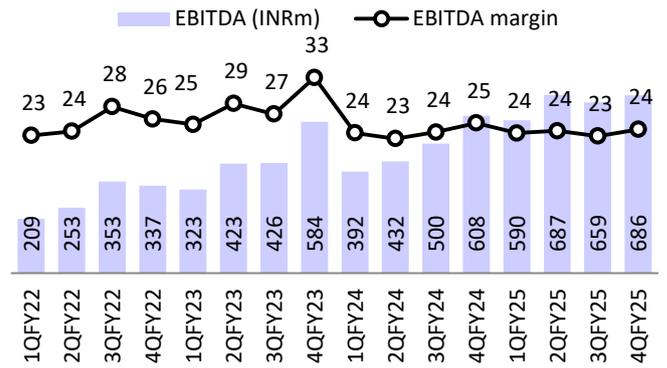
Source: MOFSL, Company

Exhibit 7: C/I ratio (%) trend



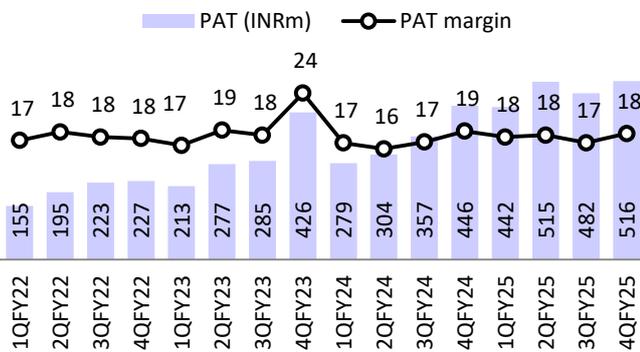
Source: MOFSL, Company

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



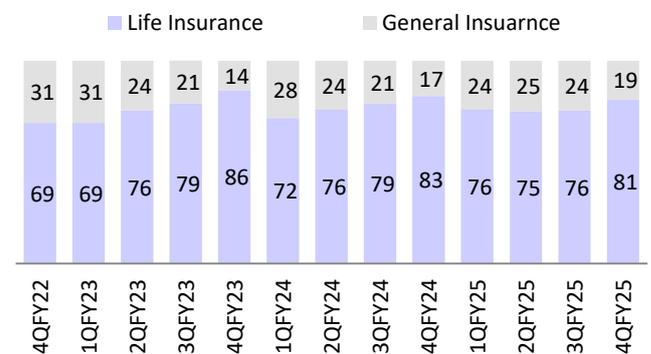
Source: MOFSL, Company

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



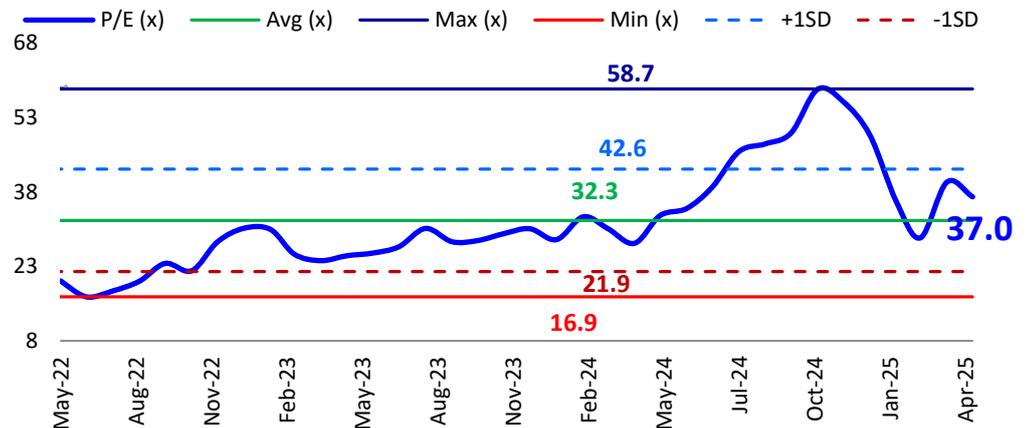
Source: MOFSL, Company

Exhibit 10: Premium mix (%)



Source: MOFSL, Company

Exhibit 11: 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	12,575	15,416
Other Operating income	55	89	80	65	60	76	84	92
Revenue From Operations	2,348	2,865	4,508	6,113	8,050	11,036	12,659	15,508
Change (%)	5.8	22.0	57.3	35.6	31.7	37.1	14.7	22.5
Commission and Fees expenses	1,205	1,531	2,464	3,252	4,354	6,380	7,372	9,050
Employee benefits expense	489	555	693	833	928	1,109	1,331	1,597
Impairment of FI	12	20	-1	-20	0	0	0	0
Other expenses	176	140	199	295	837	922	1,038	1,241
Operating Expenses	1,882	2,246	3,355	4,359	6,119	8,412	9,741	11,888
Change (%)	2.4	19.4	49.4	29.9	40.4	37.5	15.8	22.0
Operating Profit	467	619	1,153	1,754	1,931	2,624	2,918	3,620
Other Income	14	84	78	75	196	299	411	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	3,002	3,832
Change (%)	30.6	61.7	77.0	46.4	18.5	41.1	14.5	27.7
Tax	96	152	268	401	471	664	762	973
Tax Rate (%)	25.6	25.2	25.0	25.6	25.3	25.3	25.4	25.4
PAT	279	453	803	1,167	1,387	1,957	2,239	2,859
Change (%)	32.5	62.6	77.4	45.2	18.9	41.1	14.4	27.7
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	8,461	10,947
Net Worth	1,125	1,576	2,376	3,500	4,814	6,677	8,668	11,154
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	11,565	14,196
Cash and Investments	1,035	1,598	967	2,127	3,780	5,436	6,893	8,697
Change (%)	41.4	54.4	-39.5	120.0	77.7	43.8	26.8	26.2
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	11,565	14,196

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	2,239	2,859
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	-411	-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	1,698	2,052
Other Income	14	84	78	75	196	299	411	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	-1,792	-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	-369	160
Opening Cash	660	973	1,392	575	698	1,320	1,783	1,415
Closing Cash	973	1,392	575	698	1,320	1,783	1,415	1,575

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	76.9	76.7
Commission and Fees expenses	51.3	53.4	54.7	53.2	54.1	57.8	58.2	58.4
Employee Costs	20.8	19.4	15.4	13.6	11.5	10.1	10.5	10.3
Other Opex	8.0	5.6	4.4	4.5	10.4	8.4	8.2	8.0
PBT	15.9	21.1	23.8	25.7	23.1	23.8	23.7	24.7
PAT	11.9	15.8	17.8	19.1	17.2	17.7	17.7	18.4
Profitability Ratios (%)								
RoE	28.5	33.5	40.7	39.7	33.4	34.1	29.2	28.8
Dividend Payout Ratio	37.1	22.8	5.1	5.3	6.0	5.3	11.1	13.0
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	53.9
Price-BV (x)	22.4	16.0	212.3	144.2	104.8	75.6	58.2	45.2
EPS (INR)	6.7	11.0	19.4	28.2	33.5	47.3	54.1	69.0
Change (%)	32.7	62.6	77.2	45.1	18.9	41.1	14.4	27.7
Price-Earnings (x)	361.6	222.4	125.5	86.5	72.7	51.6	45.1	35.3
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	0.4

E: MOFSL Estimates

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NOTES

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