Operator: Ladies and gentlemen, good day and welcome to Prudent Corporate Advisory Services Ltd. Q2 FY27 earnings conference call, hosted by 360 ONE Capital. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shubham Mukherjee. Thank you, and over to you, Mr. Mukherjee.

Shubham Mukherjee – 360 ONE Capital: Thanks, Siddharth. Good morning, everyone. Welcome to the Q2 FY27 results conference call of Prudent Corporate Advisory Services Ltd. To give a brief update on the results and address investor questions, we have the management of Prudent Corporate Advisory Services represented by Mr. Sanjay Shah, Chairman and Managing Director; Mr. Shirish Patel, Chief Executive Officer; Mr. Chirag Shah, Non-Executive Director; Mr. Chirag Kothari, Chief Financial Officer; and Mr. Parth Parekh, Head of Investor Relations. I would now like to request the management to start with the opening comments, after which we can open the floor for the Q&A. Thank you, and over to you, sir.

Management: Thank you. Thank you, Shubham.

Good morning, everyone. I extend a very warm welcome to all of you for joining our Q2 FY27 earnings call. Thank you for taking the time to be with us today. I hope you have the investor presentation handy, as we will be referring to it during the course of our discussion.

Let us go straight to slide 49, which highlights our AUM growth for the quarter.

If you look at slide 49, on the right-hand side, we have shown the trend in quarterly average AUM. The sharpest part of the market correction was seen in the last week of October, after the September quarter had ended. As a result, quarterly AUM in Q2 FY27 remained strong at 1.43 lakh crore, which was up by 8% sequentially and 21% year-on-year.

On the left-hand side, we have compared the average AUM for the first half of FY27 with our current AUM. Historically, current AUM at this point in the year has been higher than the first half. This has usually provided a favorable base for growth in the second half. This year, the sharp market correction has brought our current AUM more or less at par with the closing AUM of 1.37 lakh crore, which is now slightly below our first-half average of 1.38 lakh crore.

Let us now move to slide 50, which shows the movement in our equity AUM on a year-on-year basis and on a quarter-on-quarter basis.

Let me begin with the year-on-year trend on the left-hand side.

Equity AUM increased from 1.18 lakh crore in September 2025 to 1.37 lakh crore in September 2026. This is a growth of 16.2%, or nearly 19,100 crore. Around 80% of this growth came from net sales, supported by strong SIP flows.

Despite the weak market environment, the mark-to-market impact on our equity AUM was positive at 2.9%. Over the same period, the Nifty 50 declined by 8.1%, and the Nifty 500 declined by 2.9%.

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The major reason for our outperformance is consistent SIP inflows, which helped investors benefit from market volatility, supported by thoughtful fund selection and portfolio construction by our distributors. Together, these factors reflect the distributors' alpha over the market generated by our network, which continues to deliver better outcomes for investors.

On the right-hand side, we show the quarter-on-quarter movement. Despite a negative mark-to-market impact of 1,867 crore, our equity AUM grew by 1.7% sequentially. We recorded net sales of 4,137 crore during the quarter. This is the highest quarterly net sales figure in our history.

Please move to slide 51. It highlights our SIP performance.

As of September 2026, our monthly SIP book stood at 1,272 crore, a growth of 17.2% over the last 1 year. Our SIP collections are growing faster than the market. As a result, our share of SIP contributions increased from 3.49% in September 2025 to 3.73% in September 2026.

Our market share in equity-oriented AUM, excluding ETFs, has also improved. It rose from 2.59% to 2.7% over the same period. This reflects strong net sales and the distributors' alpha generated by our MFDs.

Let us now come to the most important part, which is the financial results. Let us move to slide 54. It presents our consolidated financials.

As I already mentioned, our quarterly AUM grew by 7.9% sequentially, and mutual fund revenue grew faster at 9.4%. This faster revenue growth was primarily due to 1 additional revenue day compared with the previous quarter. Net yield otherwise remained very stable at 88 or 89 basis points during the quarter.

Our insurance revenue grew by a strong 35% sequentially, supported by fresh premium growth of 54% in general insurance and 37% in life insurance. On a year-on-year basis, life and GI fresh premiums were up by 50%, 45%, and 62%, respectively.

Moving to our other financial and non-financial products, revenue from which grew by 14% sequentially, this growth was primarily driven by our PMS vertical and our distribution of PMS products. Average PMS AUM grew by 37% year-on-year and now stands at around 2,028 crore.

Given the strong performance across all our businesses, our revenue from operations grew by 11.8% sequentially. Operating profit also grew at a much faster pace of 15.4% sequentially on account of operating leverage, and the operating margin expanded by 80 basis points to 26.4%.

Other income declined during the quarter. Higher bond yields created a mark-to-market drag on the debt portfolio. The hybrid portfolio also saw a reversal of the earlier mark-to-market gain. As a result, other income fell by around 82% sequentially, from 20.8 crore in the previous quarter to 3.8 crore in the current quarter. Because of that, our reported profit after tax was 71.7 crore, which was down by 4.1% compared with the previous quarter.

I would ask you to separate that from the operating performance because they tell two very different stories. If we set aside our other income, which is a treasury line and not an operating line, profit before tax grew by 16% sequentially and 45% year-on-year. The operating business had its

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strongest quarter yet.

Taking the half year as a whole, revenue from operations grew by 20% to 736 crore. Operating profit grew by 37.6% to 192 crore, with operating margin at 26.1% against 22.7% last year. Profit after tax for the half year grew by 39.1% to 146.5 crore.

As we highlighted last quarter, the MF regulatory changes that came into effect in April 2026 are prompting more distributor partners to join our platform, which can support them with technology, compliance, and operations. This is reflected in our onboarding numbers. We added around 3,541 new distributors to our platform in the first half. That is nearly 30% higher than in the first half of last year.

We are also strongly focused on scaling our {? SIAS ?} business. So far, 1,792 distributors across our MFD network have obtained {? SIAS ?} certification, and our {? SIAS ?} AUM, {? SIAS ?} AUM, is nearly 900 crore.

[pause] Now let me address one of the very important points, which is related to the proposed regulatory changes in insurance distribution.

If you look at the current consultation paper, there is one change that I would like to discuss. The regulator is looking at the entire industry in 2 segments. One is the independent distribution agent, or IDA, and the second is the independent distribution entity, or IDE. All individual agents will fall under IDA, while every other category, whether it is a corporate agent or an insurance broker, will fall under IDE, and Prudent falls under IDE.

The major change is related to commissions as far as these 2 segments are concerned. Under the proposal, individual agents will earn more than organized distributors such as IDEs. Let me give you an example. In health insurance renewal, an agent or IDA will earn 10% renewal commission, while an IDE, an entity like Prudent, will earn 5%. So IDA [trails off]

Management: We earn almost 50% less than the agent for exactly the same business. I believe the industry has made a lot of representations on this, and we are getting feedback that the regulator is receptive to them. We have also sent our representation. What the industry is asking for is that, at a minimum, we should have a level playing field with independent agents. We should be at par with them or somewhat higher. Let me explain why.

At our end, we have invested significantly in claim support, technology, and customer servicing, and we have a large team working in this department. Whatever we earn, we need to share a portion of that earning with our POSPs. I think we can all understand that if we do not earn, we cannot share. In the proposed format, where we earn 5% and an individual agent earns 10%, it will be very, very difficult for us to sustain this business.

That said, based on the discussions and the feedback we are getting from various associations, we definitely expect a workable middle path to emerge. At this stage, we will address the impact. Assuming the regulation comes through exactly as proposed, which we believe is very unlikely, the current contribution of the insurance business to our profit is roughly 12%. That is something that might probably have a direct impact if the regulation comes through as it is.

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Let us understand that, even in this unlikely scenario, we see a potential offset and opportunities to accelerate our mutual fund business. If the proposal is implemented as drafted, it will affect the entire insurance distribution industry, including individual agents. With pressure on insurance income, many agents are likely to look for a second source of earnings. They can either grow their insurance volumes or add a complementary business. We believe mutual funds could become a significant part of that second income stream, which creates an opportunity for Prudent.

Agents who want to enter mutual fund distribution will need training, technology, and client servicing. Our pan-India branch network, technology platform, and a team of around 700 sales employees give us the scale to support them. There is also an opportunity to raise our own productivity. Today, part of our management and regional leadership team devotes significant time to the insurance business. If that bandwidth is redeployed to mutual funds, it can definitely support stronger execution and higher productivity in a business where we already have scale.

Let me now address another part, which is the recent regulatory changes by the regulator on the PMS front as a manufacturer. Following the regulatory changes, we are in the process of applying for a PMS license. As you are all aware, we have a 100% subsidiary called Protech. We have just received approval from the ROC for a change of name from Protech to Prudent Asset Management Private Limited, and we are in the process of applying for the MF-PMS license. The MF-PMS framework is expected to become operational from April 2027. We believe we are well placed to obtain the required license by then.

Our focus for now is on MF-PMS. We see 2 opportunities in this space. First, we can provide PMS managers with the technology and back-office support they need. This would be similar to the backbone we have provided to mutual fund distributors. It would allow PMS managers to focus more on acquiring clients. Second, there is an opportunity to serve HNI clients who want actively managed mutual fund portfolios. Our MF-PMS offering can help address this need. This is one area that we believe is going to become significantly large over a period of time.

Second, we also see an opportunity in bonds. We already hold an OBPP license. Here too, SEBI has issued a consultation paper to provide clarity on the fixed-income channel partner, which is similar to a mutual fund distributor. They call it an FICP. The consultation paper is in the process of defining the FICP framework. We are awaiting final clarity on that before launching it on a full-fledged basis. Once the framework is announced, we can launch and use our MFD network to expand our online bond business.

These opportunities give us new ways to serve our partners and clients. They also allow us to build on our existing network and capabilities. Over time, PMS and bonds can become additional growth drivers for Prudent.

With that, I would now like to open the floor for questions.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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The first question comes from the line of Prayesh Jain from Motilal Oswal Financial Services Limited. Please go ahead.

Prayesh Jain – Motilal Oswal Financial Services: Hi, sir. Just on the consultation paper again, there is 1 aspect where there is a difference between IDE and IDA. On the IDA side, they have clearly said that individual agents will not have any options. If they are selling a health insurance product of a multiline player, they cannot sell the product of another player, right? On the IDE side, they have optionality. They can sell products of any insurance company with which you or their broker have tied up. I think there is 1 fundamental difference in what the regulator is considering between IDA and IDE. What are your thoughts on whether the regulator would concede that IDEs will still have the option of working with multiple insurance companies and receive a commission equivalent to that of an IDA? That is the first question on the insurance side.

The second question is also on insurance. You said that if it is implemented as proposed, then you will have an impact. Do you think that the 12% contribution to earnings will be completely lost, or do you think that the POSP model will not survive under these regulations?

The third question is again on the consultation paper. If you think about the regulator opening up all other financial services distribution to all categories under the same license, or requiring you to apply for a license but allowing you to do it under the same entity, does that bring more competition to your core mutual fund business as well? Those are my 3 questions. Thank you.

Management: Shirish, do you want to address all 3?

Shirish: First, I would like to answer the last question. Today, brokers are not allowed to do multiple businesses, except insurance. If the consultation paper is implemented as proposed, insurance brokers would also be allowed to sell other products. I believe many brokers had other group companies dealing in mutual funds or other businesses earlier as well. Today, if you talk about Zenik or the insurance broker, they were doing the mutual fund business. Similarly, a few large digital brokers in insurance had group companies working in third-party products. Earlier, these businesses were conducted under separate entities; now they might be conducted in the same entity. Of course, I do feel that more players may enter the third-party distribution platform business, and as more people enter the platform business, competition will increase.

At the same time, awareness of platforms will also increase. Over the last 3-4 years, we have already seen 8 platforms enter the mutual fund industry. Of course, it is competition, but I believe that more and more people have started joining platforms. So, it works both ways. Competition will increase, but at the same time, more and more people will participate through platforms. If you offer a better competitive advantage to the individual seller, we will be able to attract that share. That is my response to the third question.

The second point you raised was about the revenue difference between IDA and IDE. If there is a significant revenue difference, then the POSP business or POSP model may not be able to survive. There is definitely an opportunity here, and let me address both points. Earlier, Hariom, brother, please mute your microphone.

Management: {? Hariom brother ?}

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Shirish: Hello? Sanjay, please mute your microphone. Is it better now? Is it better now?

Management: Yes, it is better, but there is still some disturbance from your side, I think.

Shirish: It seems the microphone has gone bad.

Management: Yes, this is better. It is better. Yes, here.

Shirish: Yes, please go ahead. Coming to the point that if there is a revenue reduction between IDE and IDA, why would they work with an IDE? On the opportunity side, I would say that today an individual agent is allowed to work with 1 general insurance company and 1 standalone health insurance company. Practically, among the standalone health insurance companies that exist today, I think many agents are working with them in the health insurance business. In the same entity, however, they are working with 2 different companies: a general insurance company as well as a standalone health insurance company.

If the consultation paper is implemented as proposed, then they will obviously have to surrender 1 of the licenses for conducting health insurance business, and that would be a significant opportunity for any IDE. Tomorrow, an IDA will be allowed to sell only 1 health insurance product. Customers are definitely going to ask for multiple choices and multiple companies, and the individual agent might have to approach an IDE. So, while this may involve compromising on revenue in a way, there is a huge difference in the payout between IDA and IDE, especially on the renewal side. It is going to have a significant effect on a platform like Prudent or a corporate agent like Prudent in the insurance POSP business. However, I believe volumes might increase, although that might not justify the revenue. That is point 2.

On point 1, I think Sanjay, you missed that point. I do not—Hello?

Management: No, I think point 1 was probably for Sanjay. What Shirish is trying to communicate, and I will also echo, is that today this particular vertical contributes 12% of profit, or PBT. I do not think this entire revenue will disappear overnight because, for example, by the end of this year we will have a book of, say, 300 crore on the health side, or 10 crore here and there. It might be 290 crore or 300 crore. People will not have the option to move somewhere else overnight because 2 things are happening. On the IDA side, the agent has to decide which license to surrender. Most of them are already working with 2 health insurance companies. The first thing they have to decide is which one to surrender. On the other side, they have to decide which business they can move directly to their code. So, I think this renewal business will probably continue.

Overall, there are 2 things. If the regulation comes through as proposed, it will definitely have a significant impact over time. You need to make sure that you are able to justify what you are doing through better claim management, better technology, and better servicing.

The point is that every IDA needs an IDE. An individual agent needs an IDE because the agent cannot sell every product. So, there will still be a need. I do not think the business is going to disappear. How much will be adjusted, who will perform better, and how we will probably arrive at a midway point are all questions that will be decided over a period of time.

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The second important point is that most of the people doing insurance business in our system also have a background in mutual funds. Mutual funds are growing very rapidly. So, we believe that we will definitely be able to use them productively in our existing business as well. I do not think the entire 12% will disappear overnight. That is what I wanted to communicate. However, I cannot provide clear guidance on that particular aspect.

Prayesh Jain – Motilal Oswal Financial Services: Sure, sir. I understand. Just to follow up on the third question I had asked, while you expect competition to increase, does that also mean there could be pressure in terms of the amount you share with your mutual fund distributors? In other words, if you want to retain your distributors, would you have to share more with them on their mutual fund business to retain them, so that the reduction in insurance compensation is somewhat offset on the mutual fund side? Also, because there would be more competition in the mutual fund business itself, could there be pressure to share more with distributors? Would that also create a challenge for you?

Management: Prayesh, when you look at how people will enter this business—yes, Shirish.

Shirish: Yes, Sanjay, please carry on.

Management: I am just trying to say that when they enter this business, first of all, they will try to convert their POSP network into mutual fund distribution. They will not target somebody else because, for example, if you look at one of the large players, they have recruited around 7–8 lakh, or 8–10 lakh, or 7 lakh POSP agents over a period of time. Their first target is to create a second line of revenue for those agents as well as for their own platform. My belief is that they will try to expand the market. It may not be direct competition for us; rather, they will definitely work on expanding the market.

Secondly, I believe that in the sub-servicing business, paying higher commissions may attract people for some time, but with a higher commission payout, it is very difficult for anyone to survive over the long term, and they have to operate on the right basis. Over the last 3–4 years, we have already seen 5–6 new entrants in this particular business with higher payouts, offering significantly higher payouts to distributors. We have still maintained our margin and our payout, and we have been able to grow. After 2–3 years of pursuing a higher-payout strategy, I believe they have now, from this year onwards, started to moderate their payout in the market.

No one can survive for long with a higher payout. Of course, it could be a trigger for a few years, but it will not necessarily affect our margin because distributors believe that this is a very long-term, service-oriented sales and revenue business. They need the confidence that whatever the company is paying currently will continue consistently over a longer period. That is the kind of trust that our distributors and the industry have built. So, we do not see more people entering the market as a challenge that will affect our margins.

Prayesh Jain – Motilal Oswal Financial Services: Understood. Thank you very much.

Operator: Thank you. A reminder to all participants that you may press star and 1 to ask a question. The next question comes from the line of Deepanjan Ghosh from Goldman Sachs. Please go ahead.

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Deepanjan Ghosh – Goldman Sachs: Hi, good morning, everyone. I have a few questions. First, coming back to the consultation paper, if you could provide any numerical data on the quantum of volumes generated in the POSP business by the top 50 or 100 POSPs versus the others, that would be helpful.

My second question is on the nature of the contract with the POSPs. Hypothetically, if all of them, or some of them, were to completely reduce their focus on selling insurance, what happens to the renewal revenue that you receive from the manufacturers? Are the renewal revenues passed through to POSPs renegotiated every year, or how does that mechanism work for you?

My third question is that, in response to the previous participant's question, you mentioned that most or all POSPs might focus on increasing volumes or changing their product mix to better realign their top line. Could you provide some color on previous changes, either in mutual funds, secondary-market broking, or insurance, over the last 2 decades, whenever there has been a cut in expense ratios or realizations? How have partners responded, in terms of the volume offtake that you saw or expect? Could you provide some color on that?

My last question is about your commentary that the regulator has listened to the industry's concerns and that some middle ground could be achieved. I wanted to understand how the discussions have progressed and what hurdles you perceive from the regulator's side related to the POSP channel.

Sanjay: Shirish, you can cover the initial points, and then I will talk about the regulatory aspect. Yes, Shirish.

Shirish: I could not hear the beginning completely, but the third point you raised was probably about how distributors reacted during multiple rounds of regulatory changes in the past. Specifically, when we talk about the mutual fund industry, when the entry load was abolished, that was the biggest regulatory change related to distribution. At that time, many distributors who were dependent on upfront fees from clients were significantly impacted. Many of them reduced their focus on the mutual fund business and entered other businesses.

After 3, 4, or 5 years, when they realized that the industry had grown, many of them came back to the industry. However, the group that continued focusing on the product where commissions had been reduced grew substantially faster. After that, in 2019, we saw another TER cut. Again, in April 2023, we saw regulatory changes that affected commissions through the TER.

During the last 3, 4, or 5 years, we have seen a few AMCs cut commissions on the historical book every year. This April again, we saw that most AMCs cut commissions on the historical book. Multiple rounds of regulatory intervention have taken place. Distributors have realized that there would be a cut in commercial terms, but that would be compensated through an increase in volume.

Unlike the entry-load cut, in the last 2-3 years, or the last 2-3 instances when there was a cut in commissions, we did not see any impact on our distribution business. Distributors are now mentally prepared that, over the longer term, there will be a cut in commercial terms, but that will be compensated through increased volume.

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On the insurance side, if we look at the last 3 years, we have seen some kind of regulatory change every year. One was the GST cut. When GST was cut, distributors' income came down by around 18%. Then we had the surrender guidelines. The surrender guidelines also affected the commissions of distributors, agents, and POSPs. However, the focus on insurance continued among every agent.

This time, the impact is much higher. At the same time, other products and other businesses are also available. Standalone insurance agents will definitely be impacted more, but those doing multiline business will be impacted somewhat less. So [trails off]

Sanjay: [pause] Shirish, we lost you. Yes. Hello? Shirish?

Operator: Hello, this is the operator. I think his line has been disconnected, so let me quickly connect him again. Or would you like to continue answering this question?

Sanjay: Yes. The bottom line is that historical evidence shows that all regulatory changes have caused pain initially, but over a long period, every industry has grown. Our simple hypothesis is that this change may not be as harsh as we have projected. We have definitely assumed that many changes will take place, but ultimately, they will bring significant growth to the industry, and those who remain very focused on this business with lower margins will receive a disproportionate share. That is a very important point.

Your second question was regarding the contractual understanding with POSPs, right?

Deepanjan Ghosh – Goldman Sachs: Yes, on the renewal books, sir.

Sanjay: On the renewal business, if our remuneration goes down, we will also share that reduction with them. For example, if your renewal rate was X%, but I do not earn X, I cannot pay X. Every renewal is a contractual renewal, and every renewal has a different rate. So, I do not see any legal hurdle, and we can definitely change our pricing structure for them based on whatever we earn.

Your first question was about the top 50 POSP contributors versus the others. I do not have the data readily available because we have never worked on that analysis, but we can definitely provide it offline whenever you ask for it. However, my belief is that concentration will not be significantly large because we have a good number of people participating in the insurance business. So, I do not see a significant concentration risk there either.

Shirish, are you there?

Shirish: [line issue] I am here. I got disconnected.

Sanjay: His question was about the contractual obligation with POSPs and whether, if there is a change, our payout to POSPs will also change. I was just saying that every contract with a POSP is a renewal contract.

Shirish: Yes, definitely, it is a renewal contract every year. Whenever our receivable changes on the renewal side, our payable commission also changes on the renewal side. From April onwards, assuming that our renewal commission on the health book reduces, we will be able to pass that reduction on to the POSPs as well. Our margin will be impacted to that extent, but we will be able to

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pass the entire reduction on to them.

Deepanjan Ghosh – Goldman Sachs: Understood. Sanjay sir, could you provide some color on the last question regarding the discussions with the regulator?

Sanjay: When we speak with people in the industry, there is a lot of information that we have all shared about the persistency-related activities we undertake, the efforts we make in claim management, and the infrastructure we have created. I think the regulator is looking at this very positively.

For example, our 61st-month persistency in health is roughly 85% or 86%—sorry, in life. That is a very positive number. The regulator has looked only at 48%, which is the headline number. Beneath that, there are many players who are doing things very constructively and positively. They are mindful of this fact.

When we speak with them, the initial reaction might suggest that they have already reached a firm conclusion. I do not think that is the case. They are receptive to all this information and are asking for more and more data. What we believe is that this time they are having the discussion based on data rather than on an emotional pitch.

If we are able to substantiate each step, I am simply trying to say that if I earn 5%, there is a cost of administration, claim management, technology, and the team. After that, whatever is left, I can share with the POSP.

That is a very strong message that we need to convey to them with this data: out of Rs.100, this is the cost that I am already absorbing, and then I have to share the balance. I think the regulator has viewed this information very positively.

Deepanjan Ghosh – Goldman Sachs: Understood. Thank you, and all the best.

Sanjay: Thank you.

Operator: Thank you. A reminder to all participants that you may press star and 1 to ask a question. The next question comes from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha – Avendus Spark: Thank you for the opportunity. Sir, can you provide some color on how much we share in the insurance business with the POSP partners? I also wanted to understand how much overlap there is between MFDs and POSPs. The reason I am asking this question is because [trails off]

Sanjay: [pause] Sanket, I think we lost you. Hello? Yes, Sanket?

Operator: [line issue] Hello, the management line got disconnected. Let me add the management line back. Are you there?

Sanjay: No, I am here. Yes, I am here. I think we lost Sanket, who was asking the question.

Operator: Hello, Mr. Sanket. Mr. Sanket, can you please go ahead?

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Since the participant got disconnected, I will promote the next participant, Shreya Khejriwal from MoneyWise Wealth Management. Please go ahead.

Sanjay: Shreya, please go ahead.

Shreya Khejriwal – MoneyWise Wealth Management: Yes, sir. My question was regarding market share. Where is the competition becoming tougher right now: from banks, large national distributors, or online platforms? We saw that you are ranked fourth in retail AUM but fifth in retail net sales. I want to understand which segment is taking market share from you right now.

Sanjay: Shirish?

Operator: Hello, Mr. Shirish, are you there?

Shirish: Hello, yes. Look, as we have shown in the presentation, we are gaining market share despite competition from fintech platforms, fintech banks, and fintech distributors. That says that our focus, systems, processes, team, and distributors are performing strongly in the market. Despite all these challenges, we are gaining market share quarter-on-quarter. Hopefully, we will be able to gain further.

Our focus on SIPs and on businesses that are more long-term in nature is also helping us. Another point I would make is distributor loyalty. Our distributors who have helped bring them into the industry—this loyalty also plays a very important role during difficult periods in the business.

Management: We are able to maintain the margin. Hopefully, we will be able to work on the margins as well.

Shreya Khejriwal – MoneyWise Wealth Management: Okay. Thank you, sir.

Operator: Thank you. The next question comes from the line of Swarnabha Mukherjee from {? B&K Capital ?}. Please go ahead.

Swarnabha Mukherjee – {? B&K Capital ?}: Hi, sir. Thank you for the opportunity. My first question is on the insurance regulation. Having incorporated that into the regulation, where there may be a higher level playing field between {? IBs ?} and {? IDCs ?}, I wanted to understand what margin level would be acceptable for you to start considering this business. Could you provide some color? Also, where is the insurance business currently in terms of margins or profitability, so that we can understand that point?

My second question is regarding the slight decrease in yield this quarter. I wanted to understand the outcome. Is it because we are moving toward smaller AUMs, which is leading to a somewhat higher realization? Could you provide some color on that?

Third, given how the equity market has performed, could you provide some color on the conversations you are having with investors, particularly on the direct side where there is no support from distributors? How is the overall sentiment coming through?

Management: Let me first—

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Management: Sanjay, you can answer the other question, but regarding the margin [crosstalk]

Management: He is asking what a comfortable margin would be between the {? I- IEE and IDPC ?}, so that we can consider this business comfortably. What are you expecting? If they are giving a renewal rate of 10% to {? IAs ?}, what is the bare minimum level that we should expect so that we can conduct the business comfortably? That is the question.

Management: I think that, whatever regulation the regulator introduces, insurance margins were already going to decline. The earlier yields were not going to return; that is very certain.

If the commercial terms between {? IDC and IDA ?} are similar, but the {? IDE ?} is given slightly more, then the competitiveness of any {? IDE ?} can continue because all the {? IDs ?} are heavily invested in multiple areas, such as infrastructure, technology, manpower, ground-level support, and everything else. If the {? ID ?} is paid slightly more than the {? IDA ?}, this model will continue to work and can grow further.

Let the regulator come out with the final regulation, and then we will be able to provide the numbers. Currently, speculating about what the regulator has decided or what number will survive is not appropriate. Whatever the outcome, we are very confident that the insurance business has to grow.

Today, it is a business with higher volume and lower volume and higher margin; tomorrow, it may become a business with higher volume and lower margin. For us, one positive factor is that there is a significant overlap between mutual fund distributors and POSPs. POSPs are now free to select any {? IDC ?}. If all the {? IDs ?} have the same level of competitiveness, then whether they work with us or with other {? IDs ?}, they may choose us because they are already working with us for the mutual fund business. On that front, we do not see a major challenge in POSPs moving to another {? IDC ?}.

However, the margin will definitely be impacted. We will wait for the final regulation, and then we will be able to tell you the impact on volumes.

Management: On the margin side, Swarnabha, the margin has been more or less static. In fact, revenue has increased slightly more than average AUM because of 1 additional working day. That is the only reason—1 additional revenue day. Otherwise, it is about 88.88 basis points.

Swarnabha Mukherjee – {? B&K Capital ?}: And the last question, sir, was about investor conversation trends. Could you speak about that?

Management: What is the ground-level feedback from investors on the market overall? How do you view the sentiment?

Management: When 2-year returns are not in double digits, or in many cases are negative, there would obviously be concern in the market. However, I would say that investor behavior is much more mature this time than it used to be earlier. Our net sales this quarter were the highest ever. That itself shows that maturity has improved. I am not saying that every investor is entering the market in these conditions, but at least the redemption pressure is lower.

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Of course, SIP cancellations have increased, but in previous periods, whenever the market corrected like this, we used to see negative growth in the industry. This time, at least there is growth. The pace of growth has slowed, but growth is still present.

Investors are definitely concerned about returns. At the same time, there is a clearer message that, at the India level, the macroeconomic environment is strong. Global uncertainty and global concerns are still present. The caveat is that less new money is coming in compared with earlier.

However, we are trying to reassure our distributors and provide them with the comfort that this could be a good time for those looking to stay invested for the long term. Retail equity investment should be for about 5 years, and this could be a better time.

Many customers are gaining that confidence and entering the market gradually. However, we will need to address the concerns of our distributors and customers regularly.

Operator: A reminder to all participants that you may press star and 1 to ask a question. The next question comes from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha – Avendus Spark: Sorry, I got logged off, so my question has been answered [crosstalk].

Management: Sanket, let me address your first question. We have probably been saying that, in the insurance business, our margin is more or less similar to that of the mutual fund business. You might observe that a different type of expenditure is required for conducting the business, but overall, the margin is in line with mutual funds. That much I can tell you. You can now ask the other question.

Sanket Godha – Avendus Spark: Understood. Quickly, if we look at the overlap between MFDs and POSPs, are there any exclusive POSPs, or are most of them part of the MFD family?

Management: It is mostly—Ashish—

Management: I think I already said that there is a significant overlap between mutual fund distributors and POSPs. Practically, you can say that there is more than 90% overlap between mutual funds and POSPs. It may happen that the person who is a POSP is not the same person who holds the ARN, and a family member has taken the POSP with us. However, if you consider it at the family level, the overlap is more than 90%. We do not encourage people to work only for insurance with us.

Very few people would come to us only for the insurance business. We try to bring people in for mutual funds first and then for insurance. So, without having the exact number in hand, I can say that at the family level, the overlap would be more than 90%.

Sanket Godha – Avendus Spark: Understood. The second question was about PMS and AIF, which you intend to start from April 1, or more likely around April 1. If it goes live, could it potentially cannibalize your existing MFD business? Ultimately, the customers are the same, and they might end up selling PMS or AIF instead of direct plans.

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Do you think that will happen in the growth plan? Also, when you go live with AIF or PMS-AIF, what do you expect the realization on PMS or AIF to be? Would it still be 90 basis points, which is close to the current figure, or how should we view the numbers? Could you provide some insight?

Management: My belief is that this will enable us to attract more players to join the platform. This is going to be a very strong product line for attracting high-quality distributors to join the platform.

Another important point is that today, many people who become HNI clients say, "I do not want to pay such high fees for my large portfolio." This will probably help us address that requirement. The variable fee structure can probably be decided; we will still need to work that out. That will also help us. Overall, I think this will definitely help us expand the market.

On the margin front, the regulation says that you can charge up to 1% as a fee for PMS and AIF. That 1% itself is close to what we are earning today—around 89-90 basis points. So, I do not think there will be a drop in margin. It will probably be similar to what we are earning on the mutual fund side.

I think it is a strong opportunity because there are 2 potential revenue streams for us. One would be that, once we create the backend for the PMS manufacturer, we will provide this entire backend to fund managers as well. They can work on our platform and manage customer portfolios on their own, while the entire backend will be taken care of. That is the first opportunity.

The second is positioning ourselves as a manufacturer from the perspective of direct fees and advisory fees, and attracting high-quality wealth managers to our platform.

Sanket Godha - Avendus Spark: Understood. The second question was about whether we gained some market share in the current quarter and performed better than the industry. Is it fair to say that our strength in small- and mid-cap funds played a role? Could you also provide some color on how much of the total AUM or total flow is concentrated in small- and mid-cap funds?

Management: We are obviously strong in small- and mid-cap funds. Yes, exactly. Ashish, can you—

Management: [inaudible]

Sanket Godha - Avendus Spark: Sorry, sir. You are not audible at all.

Management: Ashish?

Management: Our SIP flows, particularly our small- and mid-cap SIP flows, are much higher than our fresh gross flows. In this kind of market, where fresh gross flows have reduced compared with SIP flows, and SIPs are more concentrated in the mid- and small-cap segments, that may also have helped us gain some market share. However, I would not say it is only about market share.

There are 2 or 3 reasons. Our net sales have increased. Net sales increase for 1 reason: redemptions are lower. In the industry, fewer people have participated in new business.

If you also look at the composition of gross sales for Prudent and the industry, historically, our SIP book has been much higher. In our gross sales composition, SIPs normally contribute around 50% to 60% of gross sales, and fresh sales also contribute around 50%. In the industry, the SIP share of gross sales is much lower than Prudent's share.

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Today, fresh gross sales are somewhat subdued. Therefore, our market share will automatically improve. Tomorrow, hypothetically, if sentiment returns and many people participate in fresh gross sales, that may be the time when our market share becomes stagnant. That kind of situation can happen. However, the combination of both factors has helped us in this quarter.

Sanket Godha – Avendus Spark: Understood. The last question is that, if I look at your commission as a percentage of non-insurance operating revenue, the number has increased by almost 120 basis points compared with Q1. It has gone from 61.4% to 62.6% today. I wanted to understand the reason for the increase in commission costs.

Management: [inaudible]

Management: Commission cost is probably related to an additional annual trail that we give to partners based on the full-year revenue projection. If you look at the first-quarter projection, after reviewing the second-quarter numbers, we felt that the current year's gross and net sales numbers would be much better. Because of that, our provision for the additional trail increased by 2.5 crore. Almost 1.75 crore of that 2.5 crore was booked in this quarter. That must be the only reason. Otherwise, the regular payout structure has not changed.

Sanket Godha – Avendus Spark: Understood. Perfect, sir. That is it from my side. Thank you.

Operator: Thank you, ladies and gentlemen. As there are no further questions, we have reached the end of the question-and-answer session. I now hand the conference over to management for closing comments.

Management: Thank you. Thank you, everyone. If you have any query or any question that remains unanswered, you can definitely reach out to us one-on-one, and we will try to provide the proper explanation. Thank you very much. Thank you.

Operator: Thank you. On behalf of 360 ONE Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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