

CMP: INR 1280

Rating: BUY

Target Price: INR 2097

Stock Info

BSE	500302
NSE	PEL
Bloomberg	PIEL:IN
Reuters	PIRA. NS
Sector	BFSI
Face Value (INR)	2
Equity Capital (INR Cr)	45
Mkt Cap (INR Cr)	21,533
52w H/L (INR)	1351 / 849
Avg Yearly Vol (in 000')	930

Shareholding Pattern %

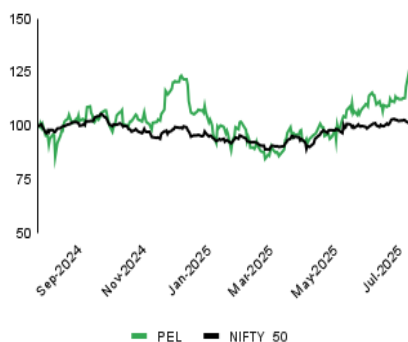
(As on June, 2025)

Promoters	46.41
Public & Others	53.25

Stock Performance (%)

	1m	6m	12m
Piramal Enterprise Ltd	11.8	32.2	24.3
Nifty	-3.4	6.4	-0.79

PEL Vs Nifty



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Company reported a net profit of INR 2763.7 mn, above our estimate of INR 1033 mn, against INR 1024.4 mn in Q4FY25. (vs INR 1814.8 mn for Q1FY25) (+52.29% YoY, +169.79% QoQ). NII stood at INR 9017.2 mn, marginally below than our estimate of INR 9034 mn (+23.13% YoY, +6.47% QoQ). They reported PPOP of INR 3873.1 mn (vs INR 8316.6 mn for Q4FY25) (vs INR 2373.3 mn for Q1FY25). Provisions came at INR 1646.4 mn (-79.57% QoQ/ +63.5% YoY). PBT came in at INR 2226.7 mn (vs INR 258.2 mn for Q4FY25) (vs INR 1366.3 mn for Q1FY25). Total AUM was up by 22% YoY to INR 857.56 Bn. Consol. NIMs stood at 5.9%, which was up by 10bps QoQ and 100bps YoY, driven by growth in retail business. Asset quality improved during the quarter. GNPA/ NNPA came at 2.8%/ 2.0% v/s 2.8%/ 1.9% in Q4FY25 v/s 2.7%/ 1.1% in Q1FY25.

Strong Operating performance: NII increased by 6.47% QoQ/ +23.13% YoY to INR 9017.2 mn, marginally below than our estimate of INR 9034 mn (+23.13% YoY, +6.47% QoQ), driven by margin expansion along with AUM growth. Interest income increased from INR 22,636 mn to INR 23,934.3 mn QoQ (+24% YoY, +5.74% QoQ), whereas the interest expense increased from INR 14,166.9 mn to INR 14,917.1 mn QoQ (+24.71% YoY, +5.3% QoQ). Other income came in at INR 3001 mn during the quarter (+38.37% YoY, -60.98% QoQ), NBFC has reported profit of INR 2763.7 mn as compared to INR 1024.4 mn in Q4FY25.

Asset quality was largely stable during the quarter: From Q1 FY26, the asset quality was largely steady as GNPA ratio remained stable at 2.8% on a sequential basis while net NPA increased 10 bps QoQ to 2%. Some deterioration of risk was seen in used car and MSME unsecured segment. Retail 90+ DPD (Days past due) was stable at 0.8% on sequential basis. Wholesale 2.0 had no delinquencies during the quarter. Stage 2 + 3 loans were at INR 36.88 bn v/s INR 35.58 bn on QoQ basis. In legacy loans stage-3 loans stood at INR 7.96 bn versus INR 8.62 bn QoQ. In micro finance segment 90+ DPD stood at 7% for the quarter v/s 6.9% QoQ. The company had provision as % of total AUM stood at 22% for the legacy assets as on June 2025. Credit cost in growth business stood at 1.4% v/s 1.8% in the previous quarter.

Advance growth continues to be driven by retail assets: Assets under management for the quarter was up 22% YoY to INR 857.56 bn. Growth AUM was up 38% YoY to INR 794.30 bn and formed ~93% of total AUM. Retail AUM increased by 37% YoY and formed 80% of total AUM. In wholesale 2.0 segment AUM was up 47% YoY to INR 104.25 bn and disbursement in this segment also increased by 46% YoY to INR 23.02 bn. 74% of wholesale 2.0 AUM is towards real estate segment while rest is towards corporate-mid market segment. Average ticket size in this book is at INR 0.74 bn stable on YoY basis. Retail disbursements during the quarter was up 28% YoY to INR 87.18 bn contribution of cross selling stood at 9% for the quarter. Company continues to focus on building their growth AUM (Retail + Wholesale 2.0 book) and reducing their legacy book. This will help them improve their yields, which will in turn improve their NIMs.

Valuation & View: Piramal Enterprises reported a strong Q1FY26 performance, with 25% YoY growth in NII driven by margin expansion and improved operating efficiency, as reflected in a lower opex-to-AUM ratio. Asset quality remained stable sequentially, while AUM growth was robust, led by the focused expansion in retail lending. The company's strategic shift toward a more granular, retail-focused loan book is yielding results, and continued emphasis on digital platforms, cost control, and high-yielding assets is expected to support profitability and return ratios. While the outlook remains positive, monitoring asset quality and macro headwinds will be key.. **We have a buy rating on the stock with a TP of INR 1918 based on 1.4x of FY27E PBV and INR 2276 based on residual free cash flow model approach. Giving a 50 – 50 weightage to both approaches. we arrive at a TP of INR 2097.**

Financial Summary

Y/E Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	32,977	38,043	29,700	31,795	51,815	58,741
PAT	12,213	15,137	2,493	3,488	20,482	20,721
Networth	3,68,369	3,10,591	2,65,571	2,70,959	2,91,755	3,08,743
Adj BVPS (Rs)	1502	1237	1131	1159	1244	1370
EPS (Rs)	84	418	-75	22	98	99
P/E (x)	15	3	-17	59	13	13
P/Adj BV (x)	0.9	1.0	1.1	1.1	1.0	0.9

Q1FY26 - Quarterly Performance (Consol.)

(INR mn)

Quarterly Result Update (Rs Mn)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Interest Income	23,934.3	22,636.0	19,285.0	5.74%	24%
Interest Expended	14,917.1	14,166.9	11,961.5	5.30%	24.71%
Net Interest Income	9,017.2	8,469.1	7,323.5	6.47%	23.13%
Other Income	3,001.0	7,690.0	2,168.8	-60.98%	38.37%
Operating Income	12,018.2	16,159.1	9,492.3	-25.63%	26.61%
Operating Expenses	8,145.1	7,842.5	7,119.0	3.86%	14.41%
Employee Expenses	4,508.4	4,045.0	3,795.0	11.46%	18.80%
Other Operating Expenses	3,636.7	3,797.5	3,324.0	-4.23%	9.41%
PPOP	3,873.1	8,316.6	2,373.3	-53.43%	63.19%
Provisions	1,646.4	8,058.4	1,007.0	-79.57%	63.50%
PBT	2,226.7	258.2	1,366.3	762.39%	62.97%
Exceptional Items	-	-	1,037.1	#DIV/0!	-100.00%
Tax Expenses	246.6	136.3	664.5	80.92%	-62.89%
Net Profit	2,763.7	1,024.4	1,814.8	169.79%	52.29%

Source: Arianth Research, Company Filings

Concall KTAs

Guidance

- The management targets to have ROA of 3% mark in the medium term.
- The company has guided for a total net profit of INR 13 to INR 15 bn in FY26.

Highlights

- The net interest income on consolidated basis, was up 25% YoY and 5% QoQ to INR 10.10 bn and was driven by margin expansion along with AUM growth.
- Net interest margin was up 10 bps on sequential basis and 100 bps YoY to 5.9% in Q1FY26.
- Assets under management for the quarter was up 22% YoY to INR 857.56 bn.
- Growth AUM was up 38% YoY to INR 794.30 bn and formed ~93% of total AUM. Retail AUM increased by 37% YoY and formed 80% of total AUM.
- In wholesale 2.0 segment AUM was up 47% YoY to INR 104.25 bn and disbursement in this segment also increased by 46% YoY to INR 23.02 bn.
- Effective interest rate in wholesale 2.0 segment stood at 14.5% in Q1 FY26.
- 74% of wholesale 2.0 AUM is towards real estate segment while rest is towards corporate-mid market segment. Average ticket size in this book is at INR 0.74 bn stable on YoY basis.
- Retail disbursements during the quarter was up 28% YoY to INR 87.18 bn contribution of cross selling stood at 9% for the quarter.
- Merger of Piramal Enterprise and Piramal finance is expected to be completed by September 2025, on completion a total of 245 bps of capital reduction will be reversed.
- From Q1 FY26, the asset quality was largely steady as GNPA ratio remained stable at 2.8% on a sequential basis while net NPA increased 10 bps QoQ to 2%.

Key Financials

P&L (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest income	75,228	77,986	73,139	84,614	1,07,233	1,20,056
Interest expense	42,251	39,943	43,439	52,819	55,418	61,315
NII	32,977	38,043	29,700	31,795	51,815	58,741
Non-interest income	3,881	4,794	28,645	21,505	5,225	5,790
Net revenues	36,858	42,837	58,345	53,300	57,041	64,531
Operating expenses	11,541	66,251	63,510	46,080	22,241	23,389
Depreciation	743	1,229	8,290	2,137	2,286	2,424
Total Opex	12,284	67,480	71,800	48,217	24,527	25,812
PBT	16,275	(24,643)	(13,455)	5,083	27,383	27,701
Tax	4,062	(39,781)	(15,949)	1,594	6,901	6,981
PAT (Before Extraordinary item)	12,213	15,137	2,493	3,488	20,482	20,721
Share of Net Profit of associates & JV	5,939	3,886	1,537	1,366	1,503	1,653
Exceptional Items	1,836	80,663	(20,866)	-	-	-
PAT	19,988	99,686	(16,835)	4,855	21,985	22,374

Balance sheet	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	477	477	449	451	451	451
Reserves & surplus	3,67,892	3,10,114	2,65,121	2,70,509	2,91,304	3,08,292
Net worth	3,68,369	3,10,591	2,65,571	2,70,959	2,91,755	3,08,743
Borrowings	5,53,244	2,12,945	2,24,640	2,96,274	6,84,993	7,74,889
Deposits	1,266	1,269	1,272	1,275	1,280	1,284
Other liability	64,471	3,12,717	3,34,567	3,80,926	4,19,018	4,60,920
Total liabilities	9,87,350	8,37,522	8,26,050	9,49,434	13,97,047	15,45,836
Fixed assets	89,860	98,846	29,594	27,654	29,036	30,488
Advances	4,93,180	4,63,946	5,49,434	6,57,912	8,25,128	9,33,891
Investments	2,48,565	2,23,318	1,25,130	1,25,387	1,31,656	1,38,239
Cash	71,870	46,491	44,468	62,759	65,897	69,192
Other assets	83,875	4,921	77,425	75,723	3,45,329	3,74,026
Total assets	9,87,350	8,37,522	8,26,050	9,49,434	13,97,047	15,45,836

Ratios	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth (%)						
NII		15.36%	-21.93%	7.05%	62.97%	13.37%
PBT		-251.42%	45.40%	-137.78%	438.74%	1.16%
PAT		23.94%	-83.53%	39.91%	487.16%	1.16%
Advances		-5.93%	18.43%	19.74%	25.42%	13.18%
Deposits		0.22%	0.28%	0.22%	0.40%	0.30%
Spread (%)						
Yield on Funds	12.90	12.00	13.70	12.50	12.50	12.50
Cost of Borrowings	9.53	8.60	8.80	8.70	8.50	8.40
Spread	3.37	3.40	4.90	3.80	4.00	4.10
NIM	5.30	5.80	4.41	4.18	6.04	6.12
Asset quality (%)						
Gross NPAs	3.61	6.80	5.00	4.00	4.00	4.00
Net NPAs	1.72	2.49	1.65	1.22	1.31	1.31
Provisions	55.19	67.00	70.00	72.00	70.00	70.00
Return ratios (%)						
RoE	7.3	29.4	-5.8	1.8	7.8	7.5
RoA	2.6	10.9	-2.0	0.5	1.9	1.5
Per share (Rs)						
EPS	84	418	-75	22	98	99
BV	1544	1301	1182	1202	1294	1370
ABV	1502	1237	1131	1159	1244	1370
Valuation (x)						
P/E	15.3	3.1	-17.1	59.4	13.1	12.9
P/BV	0.8	1.0	1.1	1.1	1.0	0.9
P/ABV	0.9	1.0	1.1	1.1	1.0	0.9

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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