

CMP: INR 1046

Rating: BUY

Target Price: INR 2503

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)	23,484
52w H/L (INR)	1143 / 736
Avg Yearly Vol (in 000')	1421

Shareholding Pattern %

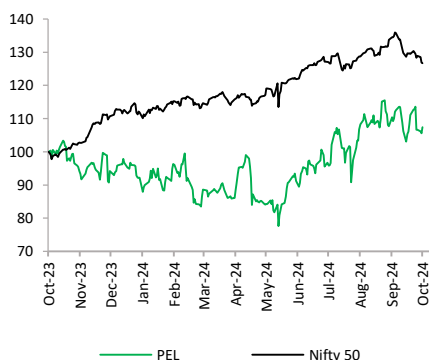
(As on September, 2024)

Promoters	46.03
Public & Others	53.48

Stock Performance (%)

	1m	6m	12m
Piramal Enterprise Ltd	-1.38	19.07	7.33
Nifty	-5.8	9.08	26.73

PEL Vs Nifty



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Piramal enterprise ltd has reported a consolidated profit of INR 1629.7 mn, below our estimate of INR 1842 mn, against INR 1814.8 mn in Q1FY25. (up 238.04% YoY, down 10.20% QoQ). Their GNPA ratio increased from 2.7% to 3.1% on a sequential basis in Q2FY25 and NNPA ratio increased by 40 bps QoQ at 1.5%. Total AUM of the company increased by 12% YoY at INR 746.92 bn, out of which 84% of total AUM consists of growth AUM, which further consists of their retail and wholesale 2.0 book. The balance 16% consists of their Wholesale 1.0 book (legacy book). Retail AUM stood at INR 547.37 bn against INR 505.3 bn in last quarter (up 8.33% QoQ, up 42% YoY). Their legacy book is expected to come down to 10% by the end of the FY25.

Strong Operating performance: NII increased by 4.87% YoY/ 5.88% QoQ to INR 7,754 mn, higher than our estimate of INR 7616 mn, driven by growth in AUM. Interest income increased from INR 19,285 mn to INR 20,804 mn QoQ (+17% YoY, +7.88% QoQ), whereas the interest expense increased from INR 11,961.5 mn to INR 13,050 mn QoQ (+25.61% YoY, +9.10% QoQ). Other income came in at INR 2,945.7 mn during the quarter (-31.00% YoY, +35.82% QoQ), NBFC has reported profit of INR 1629 mn as compared to INR 482 mn in Q2FY24.

Asset quality deteriorated during the quarter: In Q2FY25, the asset quality deteriorated as GNPA increased by 40 bps on a QoQ basis to 3.1%, while NNPA increased 40 bps QoQ to 1.5%. Retail 90+ DPD (Days past due) stood at 0.7% as against 0.6% QoQ and 0.7% YoY. Wholesale 2.0 segment saw strong asset quality with negligible delinquencies. Within legacy book the provisions held are INR 20.25 bn representing a PCR of 16.8%.

Advance growth continues to be driven by retail assets: Retail AUM stood at INR 547.37 bn (up 8.3% QoQ, up 42% YoY). 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. Currently, 16% of the total AUM consists of legacy book, which is expected to reduce to 10% in FY25.

Valuation & View: PEL has delivered an operationally strong performance during the quarter. Company continues to focus on building their growth book (Retail + Wholesale 2.0 book), with resolution of their legacy book (Wholesale 1.0 book). This will help them to improve their asset quality. Further, their yields are expected to improve, with the increase in their retail portfolio. Going forward, their AUM is expected to grow by 15%. **We have a buy rating on the stock with a TP of INR 2019 based on 1.4x of FY27E PBV and INR 2987 based on residual free cash flow model approach. Giving a 50 – 50 weightage to both approaches, we arrive at a TP of INR 2503.**

Financial Summary

Y/E Mar (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII	32,977	38,043	29,700	45,132	51,815	58,741
PAT	12,213	15,137	2,493	17,900	20,482	20,721
Networth	368,369	310,591	265,571	289,068	306,610	323,903
Adj BVPS (Rs)	1502	1237	1131	1244	1314	1442
EPS (Rs)	84	418	-75	87	99	101
P/E (x)	12	3	-14	12	11	10
P/Adj BV (x)	0.7	0.8	0.9	0.8	0.8	0.7

Q2FY25 - Quarterly Performance (Consol.)

(INR mn)

Quarterly Result Update (Rs Mn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Interest Income	20,804.3	19,285.0	17,783.2	7.88%	17%
Interest Expended	13,050.0	11,961.5	10,389.0	9.10%	25.61%
Net Interest Income	7,754.3	7,323.5	7,394.2	5.88%	4.87%
Other Income	2,945.7	2,168.8	4,268.9	35.82%	-31.00%
Operating Income	10,700.0	9,492.3	11,663.1	12.72%	-8.26%
Operating Expenses	7,533.8	7,119.0	6,752.5	5.83%	11.57%
Employee Expenses	4,130.3	3,795.0	3,594.4	8.84%	14.91%
Other Operating Expenses	3,403.5	3,324.0	3,158.1	2.39%	7.77%
PPOP	3,166.2	2,373.3	4,910.6	33.41%	-35.52%
Provisions	2,376.0	1,007.0	4,384.8	135.95%	-45.81%
PBT	790.2	1,366.3	525.8	-42.16%	50.29%
Exceptional Items	769.3	1,037.1	(643.4)	-25.82%	219.57%
Tax Expenses	272.3	664.5	107.1	-59.02%	154.25%
Net Profit	1,629.7	1,814.8	482.1	-10.20%	238.04%

Source: Arianth Research, Company Filings

Concal Highlights:

Guidance:

- The company expects 15% AUM growth in FY25.
- ROA is expected to be within the range of 3% - 3.3% by FY28.
- Legacy AUM shall be less than 10% of the total by the end of FY25.
- Opex to AUM at exit quarter of FY25 is expected to be around 4.6%.
- Recovery from AIF to be around INR 8 – INR 10 bn in H2FY25.
- The company intends to reach total AUM of INR 1.5 trn by FY28.

Highlights:

- The net interest income for the quarter was up 17% YoY and was driven by improvement in margins and steady AUM growth.
- Net interest margin improved 20 bps on sequential basis and 40 bps on YoY basis to 5.1% during the quarter.
- Operating expense increased 12% YoY/ 5% QoQ as capacity addition and business momentum gains traction.
- Piramal enterprise thus posted a net profit of INR 1.63 bn up 238% YoY, this was partly aided by exceptional gain of INR 0.77 bn from AIF recovery.
- AUM for the quarter increased by 12% YoY to INR 746.92 bn and retail to wholesale mix in the AUM stood at 73:27 respectively.
- Growth AUM was up 45% YoY to INR 626.26 bn and forms 84% of total AUM.
- Wholesale 2.0 AUM increased 75% YoY and 12% QoQ to INR 78.89 bn.
- Wholesale 2.0 disbursements for the quarter stood at INR 18.37 bn up 17% sequentially. Repayments worth INR 10.28 bn were received in Q2 FY25.
- Retail portfolio reported a healthy growth of 42% YoY to INR 547.37 bn.
- Within retail, mortgage book was up 37% YoY and formed 68% of total retail AUM.
- Used car loans portfolio jumped 145% YoY, partly due to low base.
- Within the retail space disbursement jumped 29% YoY to INR 80.66 bn and disbursement yield for the quarter stood at 14.1%.
- Legacy AUM book (discontinued) stood at 16% of total AUM.
- Disbursement per branch has improved by 40% YoY showing increased productivity.
- The company recently received RBI approval to launch its prepaid payment instrument, Piramal Pay. This platform aims to provide seamless and secure prepaid transactions, enhancing payment accessibility for individuals and businesses within their customer segment.

Key Financials

P&L (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	75,228	77,986	73,139	95,160	1,07,233	1,20,056
Interest expense	42,251	39,943	43,439	50,028	55,418	61,315
NII	32,977	38,043	29,700	45,132	51,815	58,741
Non-interest income	3,881	4,794	28,645	4,907	5,225	5,790
Net revenues	36,858	42,837	58,345	50,040	57,041	64,531
Operating expenses	11,541	66,251	63,510	12,647	15,037	15,752
Depreciation	743	1,229	8,290	8,870	9,491	10,060
Total Opex	12,284	67,480	71,800	21,517	24,527	25,812
PBT	16,275	(24,643)	(13,455)	23,931	27,383	27,701
Tax	4,062	(39,781)	(15,949)	6,031	6,901	6,981
PAT (Before Extraordinary item)	12,213	15,137	2,493	17,900	20,482	20,721
Share of Net Profit of associates & JV		5,939	3,886	1,537	1,691	1,860
Exceptional Items	1,836	80,663	(20,866)	-	-	-
PAT	19,988	99,686	(16,835)	19,591	22,343	22,767

Balance sheet	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share capital	477	477	449	449	449	449
Reserves & surplus	3,67,892	3,10,114	2,65,121	2,88,618	3,06,161	3,23,454
Net worth	3,68,369	3,10,591	2,65,571	2,89,068	3,06,610	3,23,903
Borrowings	5,53,244	2,12,945	2,24,640	6,18,967	6,84,993	7,74,889
Deposits	1,266	1,269	1,272	1,276	1,280	1,284
Other liability	64,471	3,12,717	3,34,567	3,68,024	4,04,826	4,45,309
Total liabilities	9,87,350	8,37,522	8,26,050	12,77,334	13,97,709	15,45,384
Fixed assets	89,860	98,846	1,03,788	1,08,978	1,14,427	1,20,148
Advances	4,93,180	4,63,946	5,49,434	7,42,195	8,25,128	9,33,891
Investments	2,48,565	2,23,318	1,25,130	1,31,387	1,37,956	1,44,854
Cash	71,870	46,491	44,468	44,968	47,216	49,577
Other assets	83,875	4,921	3,230	2,49,807	2,72,982	2,96,915
Total assets	9,87,350	8,37,522	8,26,050	12,77,334	13,97,709	15,45,384

Source: Arihant Research, Company Filings

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)						
NII		15.36%	-21.93%	51.96%	14.81%	13.37%
PBT		-251.42%	45.40%	-277.85%	14.43%	1.16%
PAT		23.94%	-83.53%	617.93%	14.43%	1.16%
Advances		-5.93%	18.43%	35.08%	11.17%	13.18%
Deposits		0.22%	0.28%	0.32%	0.30%	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	5.93	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	7.1	7.5	7.2
RoA	2.6	10.9	-2.0	1.9	1.7	1.5
Per share (Rs)						
EPS	84	418	-75	87	99	101
BV	1544	1301	1182	1287	1365	1442
ABV	1502	1237	1131	1244	1314	1442
Valuation (x)						
P/E	12.5	2.5	-14.0	12.0	10.5	10.3
P/BV	0.7	0.8	0.9	0.8	0.8	0.7
P/ABV	0.7	0.8	0.9	0.8	0.8	0.7

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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