

CMP: INR 990

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)	22,251
52w H/L (INR)	1275 / 736
Avg Yearly Vol (in 000')	1305

Shareholding Pattern %

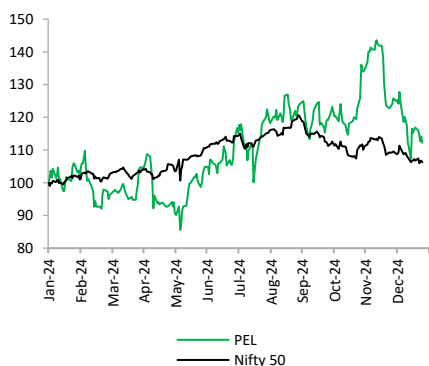
(As on December, 2024)

Promoters	46.03
Public & Others	53.48

Stock Performance (%)

	1m	6m	12m
Piramal Enterprise Ltd	-10.6	-3.9	11.9
Nifty	-3.03	-7.02	6.23

PEL Vs Nifty



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Company reported a net profit of INR 385.6 mn, below our estimate of INR 639 mn, against INR 1630 mn in Q2FY25. (vs INR -23,776 mn for Q2FY24) (+103% YoY, -61% QoQ). NII stood at INR 8248 mn, marginally higher than our estimate of INR 8142 mn (-0.47% YoY, +6.37% QoQ). They reported PPOP of INR 3379.5 mn, which beat our estimate of INR 3228 mn (vs INR 3166.2 mn for Q2FY25) (vs INR 7314.1 mn for Q3FY24). PBT came in at INR -2898.5 mn (vs INR 790.2 mn for Q2FY25) (vs INR 1318.9 mn for Q3FY24). Total AUM was up by 16% YoY to INR 783.62 Bn. Growth AUM at INR 680.09 Bn, up 40% YoY and consists of 87% of total AUM. Their GNPA/ NNPA came at 2.8%/ 1.5% v/s 3.1%/ 1.5% in Q2FY25 v/s 2.4%/ 1.1% in Q3FY24. Consol. NIMs stood at 5.7%, which was up by 60bps QoQ and 80bps YoY, driven by growth in retail business..

Strong Operating performance: NII increased by 6.37% QoQ/ -9.4% YoY to INR 8248 mn, higher than our estimate of INR 8142 mn, driven by growth in AUM. Interest income increased from INR 20,804.3 mn to INR 21,888.4 mn QoQ (+13% YoY, +5.21% QoQ), whereas the interest expense increased from INR 13,050 mn to INR 13,640.4 mn QoQ (+23.72% YoY, +4.52% QoQ). Other income came in at INR 3,133.8 mn during the quarter (-49.09% YoY, +6.39% QoQ), NBFC has reported profit of INR 385.6 mn as compared to INR 1629.7 mn in Q2FY25.

Asset quality improved during the quarter: Their GNPA/ NNPA came at 2.8%/ 1.5% v/s 3.1%/ 1.5% in Q2FY25 v/s 2.4%/ 1.1% in Q3FY24. From Q3FY25, the asset quality improved as GNPA ratio declined sequentially by 30 bps to 2.8% while Net NPA ratio was stable at 1.5% QoQ. Credit cost in growth business stood at 1.9% versus 1.6% QoQ. Excluding business loans, credit cost on sequential basis was stable sequentially. Delinquencies in Micro finance segment stood at 5.5%. In Housing finance segment delinquencies were at 0.9%. In retail segment, 90+ DPD (days past due) was at 0.8% as against 0.7% QoQ. Collection efficiency in wholesale 2.0 was 100% during the quarter.

Advance growth continues to be driven by retail assets: Retail AUM stood at INR 590.93 bn (up 7.96% QoQ, up 37% 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, 13% 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. **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	2	-13	11	10	10
P/Adj BV (x)	0.7	0.8	0.9	0.8	0.8	0.7

Q3FY25 - Quarterly Performance (Consol.)

(INR mn)

Quarterly Result Update (Rs Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
Interest Income	21,888.4	20,804.3	19,306.6	5.21%	13%
Interest Expended	13,640.4	13,050.0	11,025.6	4.52%	23.72%
Net Interest Income	8,248.0	7,754.3	8,281.0	6.37%	-0.40%
Other Income	3,133.8	2,945.7	6,155.4	6.39%	-49.09%
Operating Income	11,381.8	10,700.0	14,436.4	6.37%	-21.16%
Operating Expenses	8,002.3	7,533.8	7,122.3	6.22%	12.36%
Employee Expenses	4,246.1	4,130.3	3,556.6	2.80%	19.39%
Other Operating Expenses	3,756.2	3,403.5	3,565.7	10.36%	5.34%
PPOP	3,379.5	3,166.2	7,314.1	6.74%	-53.79%
Provisions	6,278.0	2,376.0	5,995.2	164.23%	4.72%
PBT	(2,898.5)	790.2	1,318.9	-466.81%	-319.77%
Exceptional Items	3,760.2	769.3	(35,398.0)	388.78%	-110.62%
Tax Expenses	521.3	272.3	(9,575.1)	91.44%	-105.44%
Net Profit	385.6	1,629.7	(23,775.9)	-76.34%	-101.62%

Source: Arianth Research, Company Filings

Concal Highlights:

Guidance

- The management expects legacy AUM to be below 10% of total AUM by end of FY25.
- The company expects significant recovery from AIF book in Q4FY25 and in FY26.
- Opex to AUM is guided to be around 3.5% to 4% mark for long term.

Highlights

- The NII, for the quarter was up 6.37% QoQ and was driven by improvement in margins and steady AUM growth.
- NIM improved ~60 bps on sequential basis and ~80 bps on YoY basis to 5.7% during the quarter.
- Opex to AUM ratio has declined to 4.5% as against 4.7% in the Q2FY25.
- The company had AIF recovery of INR 5.51 bn in Q3FY25 including gains of INR 3.76 bn.
- Piramal enterprise posted a net profit of INR 385.6 mn against a loss of INR 23,776 mn YoY. Sequentially profit declined 76% owing to fall in non-core income and lower dividend income as compared to previous quarter.
- AUM for the quarter increased by 16% YoY to INR 783.62 bn in which growth AUM was up 40% YoY and formed 87% of total AUM.
- Retail AUM increased by 37% YoY to INR 590.93 bn and secured mix in this stood at 78%.
- Total retail disbursement were up 9% YoY o INR 83.62 bn wherein unsecured disbursements were down 12% YoY.
- Disbursement in housing loans stood at INR 24.76 bn and in LAP (loan against property) business it was at INR 23.96 bn.
- Mortgage business (Home loan + LAP) increased 35% YoY and formed 68% of retail AUM.
- Used car loan book jumped 119% YoY and salaried personal loans were up 111% YoY, partly due to lower base.
- Wholesale 2.0 AUM increased 60% YoY and 13% QoQ to INR 89.16 bn and average ticket size is around INR 0.77 bn.
- Wholesale 2.0 disbursements stood at INR 20.75 bn up 13% sequentially and 24% YoY in Q3FY25.
- Legacy AUM book (discontinued) declined 14% sequentially and 45% YoY to INR 103.53 bn and now forms around 13% of total AUM.
- The company has 42% of its liabilities of fixed nature while on the asset side around 40% is on a fixed rate basis.
- Micro finance business forms around 2% of total retail AUM. Delinquencies in Micro finance segment stood at 5.5%.
- Merger of Piramal capital & housing finance with Piramal Enterprise limited is expected to be completed by September 2025.
- From Q3FY25, the asset quality improved as GNPA ratio declined sequentially by 30 bps to 2.8% while Net NPA ratio was stable at 1.5% QoQ.
- Credit cost in growth business stood at 1.9% versus 1.6% QoQ. Collection efficiency in wholesale 2.0 was 100% during the quarter.

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	11.8	2.4	-13.2	11.4	10.0	9.8
P/BV	0.6	0.8	0.8	0.8	0.7	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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