

CMP: INR 959

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)	1275 / 736
Avg Yearly Vol (in 000')	1305

Shareholding Pattern %

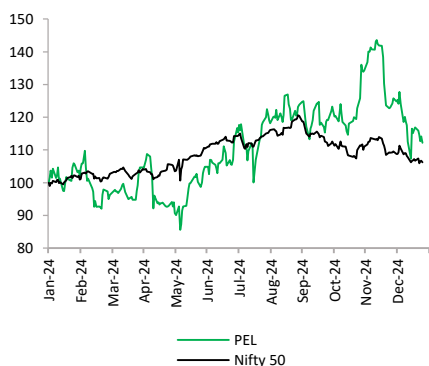
(As on March, 2025)

Promoters	46.41
Public & Others	53.25

Stock Performance (%)

	1m	6m	12m
Piramal Enterprise Ltd	0.39	-12.4	0.73
Nifty	10.01	-0.43	8.63

PEL Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com

Harshit Jain

harshit.jain@arihantcapital.com

Company reported a net profit of INR 1024.4 mn, above our estimate of INR 395 mn, against INR 386 mn in Q3FY25. (vs INR 1371 mn for Q4FY24) (-25.3% YoY, +165.7% QoQ). NII stood at INR 8469.1 mn, marginally higher than our estimate of INR 8454 mn (+16.82% YoY, +2.68% QoQ). They reported PPOP of INR 8316.6 mn, which beat our estimate of INR 3548 mn (vs INR 3379.5 mn for Q3FY25) (vs INR -1056.6 mn for Q4FY24). PBT came in at INR 258.2 mn (vs INR -2898.5 mn for Q3FY25) (vs INR -21908.9 mn for Q4FY24). Total AUM was up by 17% YoY to INR 806.89 Bn. Growth AUM was up 36% YoY to INR 737.69 bn and formed ~91% of total AUM. Their asset quality performance was mixed as GNPA remained stable while net NPA ratio increased by 40 bps to 1.9% QoQ. Consol. Net interest margin was up 10 bps on sequential basis to 5.8% in Q4 FY25.

Strong Operating performance: NII increased by 2.68% QoQ/ +16.82% YoY to INR 8469.1 mn, higher than our estimate of INR 8454 mn, driven by growth in AUM. Interest income increased from INR 21,888.4 mn to INR 22,636 mn QoQ (+19% YoY, +3.42% QoQ), whereas the interest expense increased from INR 13,640.4 mn to INR 14,166.9 mn QoQ (+20.48% YoY, +3.86% QoQ). Other income came in at INR 7690 mn during the quarter (+22.59% YoY, +145.39% QoQ), NBFC has reported profit of INR 1024.4 mn as compared to INR 385.6 mn in Q3FY25.

Asset quality posted mixed performance during the quarter: The asset quality performance was mixed as GNPA remained stable while net NPA ratio increased by 40 bps to 1.9% QoQ. Retail 90+ DPD was stable at 0.8% on sequential basis. Wholesale 2.0 collection efficiency stood at 100%. Stage 2 + 3 loans were at INR 35.88 bn v/s INR 58.91 bn on YoY basis and for legacy assets the stage 2+3 book was at INR 12.40 bn. In micro finance segment 90+ DPD stood at 6.9% for the quarter. Provision as % of total AUM stood at 30% for the legacy assets as on March 2025. The company has AIF gross recoveries of INR 8.02 bn including a gain of INR 3.69 bn and for FY25 gains were at INR 9.26 bn. Credit cost in growth business stood at 1.8% versus 1.7% in the previous quarter.

Advance growth continues to be driven by retail assets: Assets under management for the quarter was up 17% YoY to INR 806.89 bn. Growth AUM (Retail book + Wholesale 2.0 book) was up 36% YoY to INR 737.69 bn and formed ~91% of total AUM. Retail disbursement during the quarter was up 9% YoY to INR 97.54 bn and yields remained stable at 14.2%. Within the mortgage segment disbursements were up 21% YoY to INR 58.21 bn. 78% of retail AUM is secured in nature as on March 2025. In wholesale 2.0 segment AUM was up 44% YoY to INR 91.17 bn and average ticket size in this segment stood at INR 0.70 bn. Real estate loans formed 73% of the total in this portfolio. 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 mixed set of results for the quarter. While operating margins showed improvement, asset quality weakened slightly, with NNPA ratio rising sequentially. Growth in AUM remained healthy, driven primarily by strong traction in the retail segment. Retail disbursements grew at a steady pace with largely stable yields. Management reiterated its strategic focus on increasing the share of retail assets while continuing to wind down the legacy wholesale book. Profitability is expected to improve significantly by FY26, supported by a more granular and higher-margin retail portfolio. 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 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)	12	2	-13	46	10	10
P/Adj BV (x)	0.7	0.8	0.9	0.9	0.8	0.7

Q4FY25 - Quarterly Performance (Consol.)

(INR mn)

Quarterly Result Update (Rs Mn)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Interest Income	22,636.0	21,888.4	19,008.5	3.42%	19%
Interest Expended	14,166.9	13,640.4	11,758.8	3.86%	20.48%
Net Interest Income	8,469.1	8,248.0	7,249.7	2.68%	16.82%
Other Income	7,690.0	3,133.8	6,273.1	145.39%	22.59%
Operating Income	16,159.1	11,381.8	13,522.8	41.97%	19.50%
Operating Expenses	7,842.5	8,002.3	14,579.4	-2.00%	-46.21%
Employee Expenses	4,045.0	4,246.1	3,345.4	-4.74%	20.91%
Other Operating Expenses	3,797.5	3,756.2	11,234.0	1.10%	-66.20%
PPOP	8,316.6	3,379.5	(1,056.6)	146.09%	-887.11%
Provisions	8,058.4	6,278.0	20,852.3	28.36%	-61.35%
PBT	258.2	(2,898.5)	(21,908.9)	-108.91%	-101.18%
Exceptional Items	-	3,760.2	15,175.5	-100.00%	-100.00%
Tax Expenses	136.3	521.3	(23,279.7)	-73.85%	-100.59%
Net Profit	1,024.4	385.6	1,370.8	165.66%	-25.27%

Source: Arianth Research, Company Filings

Concall KTAs

Guidance

- The management expects legacy AUM to run-down to INR 30-INR 35 bn by the end of FY26.
- Total AUM growth is expected to be ~25% in which focused AUM is anticipated to grow around 30% in FY26.
- Retail AUM is envisaged form 80%-85% of total AUM in FY26.
- Expect FY26 consolidated PAT in the range of INR13-INR15 bn.
- Opex to AUM is expected to be in the range of 3.5%-4% in the medium term.
- The company looks to monetize stakes in general and life insurance business.
- The company also expects to receive deferred consideration of \$120 million in FY26 for sale of Piramal emerging business done earlier.

Highlights

- The net interest income (NII) on a consolidated basis, was up 28% YoY and 3% QoQ to INR 9.64 bn.
- Net interest margin was up 10 bps on sequential basis to 5.8% in Q4 FY25.
- The company has disbursement yield was stable at 14.2% for the quarter on a sequential basis.
- Operating to average AUM declined to 4.3% in Q4 FY25 v/s 5.3% YoY and 4.5% QoQ.
- Assets under management (AUM) for the quarter was up 17% YoY to INR 806.89 bn.
- Growth AUM was up 36% YoY to INR 737.69 bn and formed ~91% of total AUM.
- Mortgage business comprised 68% of total AUM and was up 34% YoY to INR 438.41 bn.
- In wholesale 2.0 segment AUM was up 44% YoY to INR 91.17 bn and average ticket size in this segment stood at INR 0.70 bn. Real estate loans formed 73% of the total in this portfolio.
- Retail disbursement during the quarter was up 9% YoY to INR 97.54 bn and yields remained stable at 14.2%. Within the mortgage segment disbursements were up 21% YoY to INR 58.21 bn.
- 78% of retail AUM is secured in nature as on March 2025.
- Cross sell stood at 10% of retail disbursement.
- The company added 9 lakh new customers during FY25 and customer franchisee stands at 47 lakhs as on March 2025.
- In Q4 FY25, PCHFL (Piramal Capital & Housing Finance), a subsidiary of PEL, was renamed Piramal Finance Limited (PFL) and transitioned from a Housing Finance Company (HFC) to a Non-Banking Financial Company (NBFC).
- From Q4 FY25, the asset quality performance was mixed as GNPA remained stable while net NPA ratio increased by 40 bps to 1.9% QoQ.
- Retail 90+ DPD (Days past due) was stable at 0.8% on sequential basis. Wholesale 2.0 collection efficiency stood at 100%.
- Stage 2 + 3 loans were at INR 35.88 bn v/s INR 58.91 bn on YoY basis and for legacy assets the stage 2+3 book was at INR 12.40 bn.
- In micro finance segment 90+ DPD stood at 6.9% for the quarter.
- Provision as % of total AUM stood at 30% for the legacy assets as on March 2025.
- The company has AIF gross recoveries of INR 8.02 bn including a gain of INR 3.69 bn and for FY25 gains were at INR 9.26 bn.
- Credit cost in growth business stood at 1.8% versus 1.7% in the previous quarter.

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	11.5	2.3	-12.8	44.5	9.8	9.7
P/BV	0.6	0.7	0.8	0.8	0.7	0.7
P/ABV	0.6	0.8	0.8	0.8	0.8	0.7

Source: Arianth Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

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

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Arihant Capital Markets Ltd

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800