

**Profitability impacted due to provisioning in STPL Book**

**CMP: INR 302**

**Rating: BUY**

**Target Price: INR 490**

**Stock Info**

BSE	524000
NSE	POONAWALLA
Bloomberg	POONAWAL:IN
Reuters	MAGM.BO
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR cr)	154
Mkt Cap (INR cr)	23,185
52w H/L (INR)	519 / 287
Avg Yearly volume (in 000')	2,544

**Shareholding Pattern %**

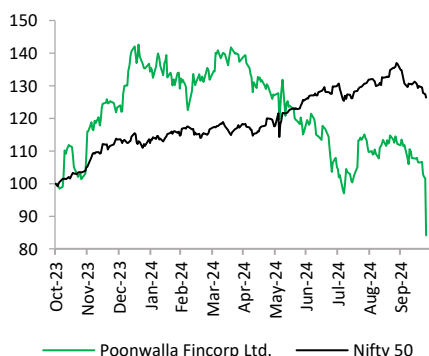
(As on September, 2024)

Promoters	61.87
Public & Others	37.47

**Stock Performance (%)**

	1m	6m	12m
Poonawalla Fincorp	-23.4	-38.2	-14.5
Nifty 50	-6.3	6.7	26.3

**PFL Vs Nifty**



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**OUTLOOK**

Company reported a 40% YoY and 5% QoQ growth in AUM to INR 283.96 bn. Net Interest Income increased by 22% YoY to INR 6.45 bn. Pre-Provisioning Operating Profit was INR 2.79 bn. Profit After Tax was INR (4.71) bn, affected by INR 6.66 bn provisioning in the Small Ticket Personal Loan (STPL) book. Gross NPA rose to 2.1%, while NNPA remained stable at 0.3%. MSME finance accounts for 33% of AUM, with personal and consumer finance at 28%. STPL disbursements were reduced, but business loans and LAP segments grew over 50% in four months. PFL plans to open 400 new branches in FY25, focusing on Tier 2 and Tier 3 locations. The company aims for 30-40% AUM growth over five years, planning to launch six new businesses within four to six quarters, including Shopkeeper Loans and Gold Loans. Company has planned investments are INR 0.50 bn per quarter for six quarters. The company believes these investments will drive growth and profitability. Overall, we remain positive on the long - term performance of the company.

**Guidance**

- Aiming for an ambitious 5-6x growth in AUM over the next 5-6 years. Earlier, company had guided to achieve an AUM of 3x of FY21 AUM.
- Expecting an AUM growth of 30-40% in FY25.
- Company plans to expand the product portfolio with plans to launch 6 new businesses within 4 to 6 quarters: Shopkeeper Loans, PL Prime, Education Loans, Used Commercial Vehicles, Gold Loans, and Consumer Durable financing.
- They plan to invest (Opex) INR 0.50 bn per quarter for next 6 quarters to build 6 new businesses and underpin AUM growth.
- They plan to invest in technology, collections, and new businesses over the next four quarters.

**Key Highlights**

- AUM grew by 5% QoQ/ 40% YoY to INR 283.96 bn.
- NII stood at INR 6.45 bn, witnessing a growth of -5% QoQ and 22% YoY, with PPOP de-growth of 35% QoQ and 17% YoY, at INR 2.79 bn, affected by one-time operating expenses of INR 0.71 bn, along with investments in technology, distribution, and personnel.
- PAT declined by 262% QoQ/ 305% YoY, at INR (4.71) bn.
- PAT decline in Q2FY25 was mainly on account of provisioning of INR 6.66 bn in the Small Ticket Personal Loan (STPL) book.
- Their asset quality continues to remain below 1%, as previously guided by them.
- GNPA worsened to 2.1%, down 74 bps YoY and 143 bps QoQ. NNPA stood at 0.33%, a decrease of 39 bps YoY and increase of 10 bps QoQ. The degradation in asset quality was primarily due to higher slippages in the STPL portfolio.
- STPL disbursements reduced to roughly 20% of previous levels due to strategic risk management. Despite this, PFL recorded 5% sequential growth. Business Loan and LAP segments have thrived, with growth exceeding 50% over the past four months.
- PFL is actively expanding its physical presence, with plans to open 400 new branches this FY25, focusing on Tier 2 and Tier 3 locations.
- Their secured to unsecured book stood at 51:49.
- The company maintains a high credit rating of AAA and actively manages the cost of borrowing.
- Their cost of borrowing stood at 8.10%, as against 8.16% in Q1FY25 v/s 7.98% in Q2FY24.

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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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