

CMP: INR 999

Rating: BUY

Target Price: INR 2445

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)	22,436
52w H/L (INR)	1139 / 716
Avg Yearly Vol (in 000')	1473

Shareholding Pattern %

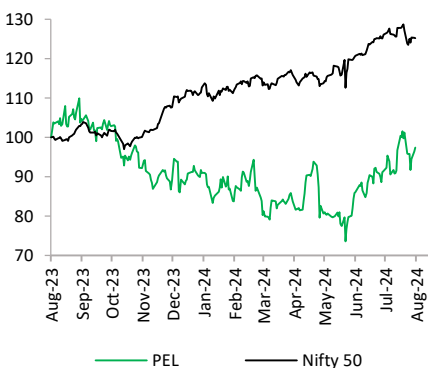
(As on June, 2024)

Promoters	46.03
Public & Others	53.48

Stock Performance (%)

	1m	6m	12m
Piramal Enterprise Ltd	5.59	16.4	-2.56
Nifty	-0.9	11.8	25.3

PEL Vs Nifty



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Piramal enterprise ltd has reported a consolidated profit of INR 1814.8 mn (down 64.33% YoY, up 32.39% QoQ). Their GNPA ratio increased from 2.4% to 2.7% on a sequential basis in Q1FY25 and NNPA ratio increased by 30 bps QoQ at 1.1%. Total AUM of the company increased by 10% QoQ at INR 705.76 bn, out of which 82% of total AUM consists of growth AUM, which further consists of their retail and wholesale 2.0 book. The balance 18% consists of their Wholesale 1.0 book (legacy book). Retail AUM stood at INR 505.3 bn against INR 479.27 bn in last quarter (up 5.43% QoQ, up 43% YoY). Their legacy book is expected to come down to 10% by the end of the FY25.

Strong Operating performance: NII increased by 9.53% YoY/ 1.02% QoQ to INR 7,324 mn, driven by growth in AUM. Interest income increased from INR 19,008.5 mn to INR 19,285 mn QoQ (+13% YoY, +1.45% QoQ), whereas the interest expense increased from INR 11,759 mn to INR 11,962 mn QoQ (+15.53% YoY, +1.72% QoQ). Other income came in at INR 2,169 mn during the quarter (-81.85% YoY, -65.43% QoQ), Other income declined because of gain of INR 8710 mn on account of stake sale in Shriram Investment Holdings during the Q3FY24 and gain of INR 8546.8 mn on account of stake sale in Sriram finance in Q1FY24. NBFC has reported profit of INR 1815 mn as compared to INR 1371 mn in Q4FY24.

Asset quality deteriorated during the quarter: In Q1FY25, the asset quality deteriorated as GNPA increased by 30 bps on a QoQ basis to 2.7%, while NNPA increased 30 bps QoQ to 1.1%. Retail 90+ DPD (Days past due) stood at 0.6% as against 0.5% QoQ and 0.8% YoY. Further, company concluded 1 ARC transaction (retail) with total deal value of INR 350 mn under 15:85 structure. SR's issued worth INR 300 mn. This will help to improve their asset quality.

Advance growth continues to be driven by retail assets: Retail AUM stood at INR 505.3 bn (up 5.43% QoQ, up 43% 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, 18% of the total AUM consists of legacy book, which is expected to reduce to 10% in FY25.

Valuation & View: PEL has delivered a strong performance during the quarter, despite slowdown in economy due to the elections. 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. NBFC further approved the merger of PEL and PCHFL in May 24. Going forward, their AUM is expected to grow by 15%. **We have a buy rating on the stock with a TP of INR 1921 based on 1.4x of FY27E and INR 2970 based on residual free cash flow model approach. Giving a 50 – 50 weightage to both approaches, we arrive at a TP of INR 2445.**

Financial Summary

Y/E Mar (Rs Mn)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
NII	32,977	38,043	29,700	31,801	37,102	45,084
PAT	12,213	15,137	2,493	11,629	14,210	14,591
Networth	368,369	310,591	265,571	282,796	295,603	308,303
Adj BVPS (Rs)	1502	1237	1131	1216	1265	1372
EPS (Rs)	84	418	-75	59	72	74
P/E (x)	12	2	-13	17	14	13
P/Adj BV (x)	0.7	0.8	0.9	0.8	0.8	0.7

Q1FY25 - Quarterly Performance (Consol.)

(INR mn)

Quarterly Result Update (Rs Mn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Interest Income	19,285.0	19,008.5	17,040.6	1.45%	13%
Interest Expended	11,961.5	11,758.8	10,354.0	1.72%	15.53%
Net Interest Income	7,323.5	7,249.7	6,686.6	1.02%	9.53%
Other Income	2,168.8	6,273.1	11,947.3	-65.43%	-81.85%
Operating Income	9,492.3	13,522.8	18,633.9	-29.81%	-49.06%
Operating Expenses	7,119.0	14,579.4	9,145.5	-51.17%	-22.16%
Employee Expenses	3,795.0	3,345.4	3,004.0	13.44%	26.33%
Other Operating Expenses	3,324.0	11,234.0	6,141.5	-70.41%	-45.88%
PPOP	2,373.3	(1,056.6)	9,488.4	-324.62%	-74.99%
Provisions	1,007.0	20,852.3	2,879.7	-95.17%	-65.03%
PBT	1,366.3	(21,908.9)	6,608.7	106.24%	-79.33%
Exceptional Items	1,037.1	15,175.5	-	-93.17%	#DIV/0!
Tax Expenses	(448.5)	(23,279.7)	1,520.9	-98.07%	-129.49%
Net Profit	1,814.8	1,370.8	5,087.8	32.39%	-64.33%

Source: Arian 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.
- NIM are expected to remain under pressure for next 2 – 3 quarters, driven by rising cost of borrowings.
- Security receipts book is expected to come down further, going forward

Highlights:

- The net interest income increased by 34% YoY to INR 9 bn, led by AUM growth.
- Opex-to-AUM declined by 104 bps YoY to 4.6% in Q1FY25 and is expected to reduce further.
- Disbursement yield improved to 14.2% for the quarter versus 13.8% QoQ, driven by shift in product mix.
- The company has reduced focus on digital loans due to risks emerging in the segment. Consequently, disbursements from digital loans has decreased by more than 50% from its peak in Q4FY23.
- The company raised funds via sustainability bond in July 2024 worth \$300 million.
- The company added 1.9 lakh new customers during the quarter and customer franchisee stands at 40 lakhs as on Q1FY25.
- The merger between PEL (Piramal Enterprises Limited) and PCHFL (Piramal Capital and Housing Finance Limited) has been approved by the board in May 2024.
- In Q1FY25, the asset quality deteriorated as GNPA increased by 30 bps on a QoQ basis to 2.7%, while NNPA increased 30 bps QoQ to 1.1%.
- Retail 90+ DPD stood at 0.6% as against 0.5% QoQ and 0.8% YoY.
- The company has increased the retail prime lending rate by 25 bps with effect from 1st August 2024.

Key Financials

P&L (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	75,228	77,986	73,139	80,453	92,521	106,399
Interest expense	42,251	39,943	43,439	48,652	55,418	61,315
NII	32,977	38,043	29,700	31,801	37,102	45,084
Non-interest income	3,881	4,794	28,645	2,864	5,225	5,790
Net revenues	36,858	42,837	58,345	34,665	42,328	50,874
Operating expenses	11,541	66,251	63,510	10,000	8,444	10,007
Depreciation	743	1,229	8,290	9,119	9,757	10,342
Total Opex	12,284	67,480	71,800	19,119	18,201	20,350
PBT	16,275	(24,643)	(13,455)	15,547	18,997	19,507
Tax	4,062	(39,781)	(15,949)	3,918	4,787	4,916
PAT (Before Extraordinary item)	12,213	15,137	2,493	11,629	14,210	14,591
Share of Net Profit of associates & JV	5,939	3,886	1,537	1,691	1,860	2,046
Exceptional Items	1,836	80,663	(20,866)	-	-	-
PAT	19,988	99,686	(16,835)	13,320	16,070	16,637

Balance sheet	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share capital	477	477	449	449	449	449
Reserves & surplus	367,892	310,114	265,121	282,347	295,153	307,854
Net worth	368,369	310,591	265,571	282,796	295,603	308,303
Borrowings	553,244	212,945	224,640	618,967	684,993	774,889
Deposits	1,266	1,269	1,272	1,276	1,280	1,284
Other liability	64,471	312,717	334,567	368,024	404,826	445,309
Total liabilities	987,350	837,522	826,050	1,271,063	1,386,701	1,529,784
Fixed assets	89,860	98,846	103,788	108,978	114,427	120,148
Advances	493,180	463,946	549,434	742,195	825,128	933,891
Investments	248,565	223,318	125,130	131,387	137,956	144,854
Cash	71,870	46,491	44,468	44,968	47,216	49,577
Other assets	83,875	4,921	3,230	243,536	261,974	281,315
Total assets	987,350	837,522	826,050	1,271,063	1,386,701	1,529,784

Source: Arihant Research, Company Filings

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)						
NII		15.36%	-21.93%	7.07%	16.67%	21.51%
PBT		-251.42%	45.40%	215.54%	22.19%	2.69%
PAT		23.94%	-83.53%	366.41%	22.19%	2.69%
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	4.18	4.32	4.69
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	4.9	5.6	5.5
RoA	2.6	10.9	-2.0	1.3	1.2	1.1
Per share (Rs)						
EPS	84	418	-75	59	72	74
BV	1544	1301	1182	1259	1316	1372
ABV	1502	1237	1131	1216	1265	1372
Valuation (x)						
P/E	11.9	2.4	-13.3	16.8	14.0	13.5
P/BV	0.6	0.8	0.8	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

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

Absolute Return**Research Analyst
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