

**CMP: INR 885**

**Outlook: Positive**

**Target Price: 1650**

**Stock Info**

BSE	500302
NSE	PEL
Bloomberg	PIEL IN
Reuters	PIRA.BO
Sector	Finance-NBFC
Face Value (INR)	2
Equity Capital (INR Mn)	449
Mkt Cap (INR Mn)	1782.7
52w H/L (INR)	1,140/ 630
Avg Yearly Vol (in 000')	1299

**Shareholding Pattern %**

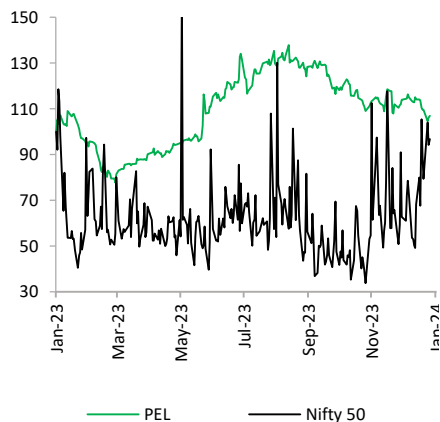
(As on December, 2023)

Promoters	46.19
Public & Others	53.31

**Stock Performance (%)**

	1m	6m	12m
Piramal Enterprise Ltd	-5.6	-12.8	7.9
Nifty	-0.01	10.1	23.9

**PEL Vs Nifty**



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**Concall Highlights**

- Company announced the sale of stake in Shriram Investment holdings for INR 14.4 bn (Carrying value: 5.69 bn). It is expected to be completed by the end of Q4FY24.
- The gain of INR 8.71 bn from sale of stake in Shriram Investment holdings will strengthen their balance sheet.
- Company's net worth stood at INR 263.76 bn, with a capital adequacy ratio at 24.3% on consolidated BS.
- The RBI issued a new circular on treatment of AIF investments by banks and NBFCs in the month of December, pursuant to which a provision of INR 35.4 bn was created by PEL. This has impacted company's profitability and AUM.
- Company continues to remain confident on full recovery of these investments as reflected in the payment record of the affected schemes.
- PEL has divided disclosures relating to lending business into 2 parts: Growth business and legacy business. Growth business includes their retail lending and wholesale lending 2.0 business.
- Their growth segment is expected to be 100% of the lending business over time. Currently, it constitutes 72% of the AUM.
- Their growth AUM (Retail + Wholesale 2.0) has grown at a CAGR of 57% since the end of FY22 to INR 490 bn.
- PEL continues to run down their legacy business. Their wholesale 1.0 book is now down 57% since end FY22 from INR 430 bn to less than INR 190 bn.
- Company is progressing strongly towards its FY28 guidance of retail to wholesale mix of 70:30 and ROA of 3-3.3%.
- Excluding the impact of AIF provisions in Q3FY24, PEL's total AUM growth accelerated to 6% QoQ and 9% YoY, leading to an AUM of more than INR 700 bn.
- Company's retail to wholesale mix stood at 64:36.
- Company's core operating profit came at INR 3.16 bn v/s INR 2.37 bn in Q2 and INR 1.87 bn in Q1.
- PAT for Q3FY24 stood at INR 2.90 bn, excluding impact of AIF provisions (+158% QoQ, -92% YoY).
- The fixed to floating rate debt mix stood at 51:49.
- Their borrowing cost increased marginally by 10 bps QoQ/ 10 bps YoY at 8.7% and yields improved by 40 bps QoQ/ 80 bps YoY at 11.4%.
- Company's ALM is well-matched with positive gaps across all buckets.
- They added 28 new disbursement active branches. With this, they have a network of 470 conventional branches and 179 microfinance active branches.
- Company's customer franchise today stands at INR 3.9 million, They acquired another 3 lakh new customers during the quarter and the active customers out of this INR3.9 million stood at INR 1.2 million, which continues to form a strong base for the company to do cross-sell activities in the future.

**OUTLOOK:**

Company has displayed a healthy performance during the quarter, though company's profitability was impacted due to the provisions created on account of RBI circular relating treatment of AIF investments made by Banks and NBFCs. PEL further, announced sale of Shriram investment holdings Ltd, which will help them to further strengthen their Balance Sheet. The company is making significant strides towards achieving its fiscal year 2028 targets. We continue to remain positive on the company with a price objective of INR 1,650.

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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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