

Growth momentum continues

CMP: INR 410

Rating: BUY

Target Price: INR 540

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)	31,817
52w H/L (INR)	519 / 336
Avg Yearly volume (in 000')	2,515

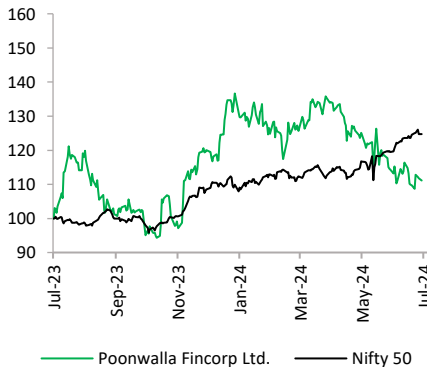
Shareholding Pattern %

(As on June, 2024)

Promoters	62.1
Public & Others	37.9

Stock Performance (%)	1m	6m	12m
Poonawalla Fincorp	-1.65	-15	11.37
Nifty 50	4.31	15.6	24.81

PFL Vs Nifty



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OUTLOOK

The company has displayed an improvement in asset quality during the quarter, along with robust capital adequacy ratio, which stood at 31.57%. Further, they have discontinued their co-lending partnerships and is focusing on self-originated business. They plan to invest in technology, collections, and new businesses over the next four quarters. Going forward, company aims to grow their AUM by 5-6x in next 5 – 6 years, and Mr. Arvind Kapil has joined the company as their new Managing Director and CEO, to lead the organization through its next growth phase. 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 30-35% in FY25.
- They plan to invest in technology, collections, and new businesses over the next four quarters.

Key Highlights

- AUM grew by 8% QoQ/ 52% YoY to INR 269.72 bn.
- NII stood at INR 6.76 bn, witnessing a growth of 5% QoQ and 425 YoY, with PPOP growth of 6% QoQ and 47% YoY, at INR 4.32 bn.
- PAT declined by 12% QoQ and was up by 46% YoY, at INR 2.92 bn.
- PAT decline in Q1FY25 sequentially was mainly on account of one-time tax benefit of INR 0.41 bn in Q4FY24.
- The Opex to AUM ratio stood at 3.86%, down 13 bps QoQ and 54 bps YoY, indicating operational efficiency improvements.
- Their asset quality continues to remain below 1%, as previously guided by them.
- GNPA improved to 0.67%, down 75 bps YoY and 49 bps QoQ. NNPA stood at 0.32%, a decrease of 44 bps YoY and 27 bps QoQ.
- Mr. Arvind Kapil assumed the role of new Managing Director and CEO on June 10, 2024, to lead the organization through its next growth phase.
- He brings in extensive experience in consumer banking. He has served as HDFC Bank's Group Head overseeing the mortgage banking business with a book size of 7.5 lakh crore.
- He has also led the retail lending division at HDFC Bank.
- PFL is focusing on a "Solidify, Expand and Scale" strategy, aiming to strengthen the management team, launch new products, and achieve significant market share growth.
- The company has discontinued co-lending partnerships and is now focusing on self-originated business.
- Their secured to unsecured book stood at 49:51.
- The company maintains a high credit rating of AAA and actively manages the cost of borrowing.
- Their cost of borrowing stood at 8.16%, as against 8.17% in Q4FY24 v/s 8.04% in Q1FY24.
- Management is confident about the Indian economy and the growth potential of the retail lending sector, which will help the company to grow.

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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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