

Good time to add

CMP: INR 347

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)	153
Mkt Cap (INR cr)	26,641
52w H/L (INR)	452 / 243
Avg Yearly volume (in 000')	4,727

Shareholding Pattern %

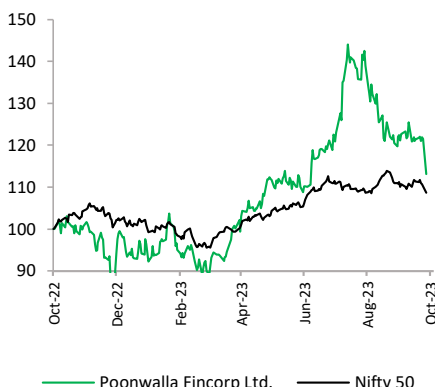
(As on September, 2023)

Promoters	62.1
Public & Others	37.9

Stock Performance (%)

	1m	6m	12m
Poonawalla Fincorp	-8.3	12.6	11.9
Nifty 50	-3.9	6.1	6.5

PFL Vs Nifty



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Poonawalla Fincorp Ltd (PFL) (earlier known as Magma Fincorp) is a technology led non-deposit taking NBFC company focused into Consumer Finance and MSME lending. It is a subsidiary of Rising Sun Holding Pvt Ltd (RSHPL), which is owned and controlled by Mr. Adar Poonawalla. RSHPL had invested INR 3,456 cr for a 60% stake in the erstwhile Magma Fincorp Ltd in Feb'21. Company had started its operations in 1988, offering wide range of services including loans for utility vehicles & cars, construction equipment, used CV, agricultural finance, and SME loans. Now, company is focusing into Business loans, Personal Loans, Pre-owned car loans, Credit card and General Insurance

Q2FY24 Concall Highlights:

- **Vision 2025:** The management has laid out the Vision for FY25. Goals are: a) Company wants to be amongst the Top 3 NBFCs in consumer and MSMEs financing, b) to achieve ~3x growth of FY21 AUM of INR 14,225 cr, c) NNPA to be at less than 1% (Q1FY23 NNPA was at 0.95%) and d) value unlocking through IPO in PHFL.
- **AUM and Disbursements:** AUM grew by 14% QoQ/ 54% YoY to INR 202.15 bn. In Q2FY24, disbursements growth was up by 11% QoQ/ 151% YoY to INR 7,807 cr.
- **Digital:** Company is focusing to strengthen its distribution through Digital, Direct and Partnership (DDP) model. DDP contributed to 81% of total disbursement in Q2FY24 v/s 54% in Q2FY23. 100% digital journey capability establishes for customers across all products via Digital KYC, Digital Onboarding (E-sign , E-agreement, E-NACH).
- They started offering instant personal loan through their mobile app.
- Company's focus is on LAP, and pre-owned cars among other products. Their current secured to unsecured mix is 46%: 54%.
- **Margin:** NIM at 11.42%, up 106 bps YoY and 2 bps QoQ. Average COF reduced to 7.98% in Q2FY24, down 6 bps QoQ.
- **Portfolio mix :** Currently, 46% of the Portfolio is secured. Company aims to reduce it to 40%. Further, 27% of the portfolio is short term (upto 12 months). They aim to keep it within the range of 20 – 25%.
- **Asset quality:** GNPA & NNPA reduced to 1.36% and 0.72% respectively compared to 1.42% & 0.76% in Q1FY24. PCR remained stable at 47%.
- **CTI ratio:** Cost to income ratio as on Q2FY24 was at 34%. CTI is expected to decline in coming quarters.
- PAT grew by 15% QoQ/ 77% YoY at INR 2.3 bn, led by the ideal product mix.
- Sunil Samdani joins as an Executive Director. He has expertise and extensive experience of over 20 years in the banking and finance sector.

OUTLOOK

Company has displayed a strong performance during the quarter with a 15% QoQ increase in profitability and improvement in other key parameters like asset quality and NIMs. Company continues to focus on optimizing their cost of funds and opex. Their cost of borrowing reduced from 8.04% to 7.98%, sequentially. Their Opex to AUM ratio reduced from 4.38% in Q1FY24 to 4.18% in Q2FY24. Their focus on digitalization with help them to grow further. We expect their AUM to grow by 35 – 40%. We have a positive outlook on the stock with a target price of INR 540, BUY rating.

Key Financials

Profit & Loss Statement (in INR Cr)	FY18A	FY19A	FY20A	FY21A	FY22A	FY23A
Interest Income	2,126	2,250	2,324	2,166	1,910	1,815
Interest Expended	1,117	1,122	1,294	1,100	716	595
Net Interest Income	1,009	1,128	1,031	1,065	1,194	1,220
Other Income	202	264	239	187	131	193
Operating Income	1,210	1,391	1,269	1,252	1,325	1,413
Operating Expenses	921	949	1,186	2,006	835	669
Employee Expenses	368	437	448	382	519	515
Other Operating Expenses	553	513	738	1,625	315	155
PPOP	289	442	83	-754	490	744
Provisions	-	-	-	-	-	-
PBT	289	442	83	-754	490	744
Tax Expenses	54	138	55	-190	116	181
Net Income	237	304	27	-559	375	570

Balance Sheet (in INR Cr)	FY18A	FY19A	FY20A	FY21A	FY22A	FY23A
Equity & Liabilities						
Share Capital	47	54	54	54	153	154
Reserves & Surplus	1,925	2,690	2,694	2,140	5,903	6,708
Net Worth	1,972	2,744	2,748	2,194	6,058	6,873
Borrowings	10,758	11,627	10,427	8,335	8,380	9,804
Other Liabilities and Provisions	90	84	82	122	95	98
Total Capital & Liabilities	14,894	16,789	15,240	13,212	16,443	23,221
Assets						
Cash & Balances with RBI	102	571	206	358	355	601
Balances with Other Banks & Call Money	305	386	502	417	242	56
Investments	140	141	151	177	0	311
Advances	13,570	15,007	13,546	11,361	14,851	15,219
Fixed Assets	164	159	156	125	123	118
Other Assets	59	66	73	57	55	55
Total Assets	14,894	16,789	15,240	13,212	16,443	23,221

Source: Arianth Research, Company Filings

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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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