

BUY **Poonawalla Fincorp****Ready for the long haul**

ASIAMONEY BROKERS POLL - 2023

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BFSI - NBFCs ▶ Company Update ▶ **June 30, 2023****TARGET PRICE (Rs): 430**

We resume coverage on Poonawalla Fincorp (PFL) with a BUY recommendation and Jun-24E target price of Rs430/share (June 25E P/ABV: 3.0x), implying ~25% upside. Our positive stance on PFL is underpinned by three factors: 1) Strong capitalization and promoter's strength to drive strong credit rating and competitive cost of funding. 2) Focused approach towards customers, products and geography, for driving higher growth with better underwriting and lower credit cost. 3) An extensive digital-first approach with branch/employee-light model, for delivering operating leverage-led accelerated profit and RoE improvement. On the back of these factors combined, we expect PFL AUM To clock 37% CAGR over FY23-26E to ~Rs416bn and the RoA/RoE to improve to ~4.6% and ~15.2%, respectively, by FY26E.

Poonawalla Fincorp: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profits	2,933	5,637	9,487	12,725	17,263
AUM growth (%)	12.4	40.1	32.1	40.9	38.6
NII growth (%)	7.6	28.7	67.0	39.7	34.8
NIMs (%)	8.7	8.8	10.9	11.1	10.7
PPOP growth (%)	(17.0)	35.0	137.3	46.9	38.6
Adj. EPS (Rs)	3.8	7.6	12.4	16.6	22.5
Adj. EPS growth (%)	NA	99.3	61.7	34.1	35.7
Adj. BV (INR)	74.7	83.7	124.5	138.6	157.7
Adj. BVPS growth (%)	3.7	12.0	48.8	11.3	13.8
RoA (%)	2.5	3.7	4.6	4.6	4.6
RoE (%)	7.7	9.3	11.9	12.6	15.2
P/E (x)	90.0	45.1	27.9	20.8	15.2
P/ABV (x)	4.6	4.1	2.8	2.5	2.2

Source: Company, Emkay Research

Right strategy to complement the right ingredients for a successful lending franchise

PFL is among the best capitalized NBFCs today, with a healthy capital adequacy ratio of 39% as of Mar-23. Its strong parentage enables it to access low cost funds and has resulted in the company quickly reaching parity with established industry peers, in terms of CoFs. PFL has a winning strategy in place for driving growth. Its approach is highly calibrated towards customers, who are credit tested and have a high credit score; this aids in achieving a superior asset quality. With its expansive product suite, PFL has achieved an optimum scale of offerings so as to not spread itself thin, and follows a similar approach in the geographies it caters, with focus on urban tier 1 & 2 cities.

Digital First and Employee-/Branch-Light model is the way forward

Technology is the cornerstone of the Poonawalla project, with substantial investments propping PFL to become a tech-led behemoth since the acquisition of Magma Fincorp. PFL is focused on providing end-to-end digital journeys (from sourcing, all the way to collection) to its customers, for most of its products. PFL is currently in the 2nd phase of its tech revolution, and is on course to likely complete it over the next two quarters. With Digital at its core, PFL intends to follow an employee- and branch-light model, and is confident about operating over the next 3-4 years with ~2,500 employees and ~100 branches, which will primarily assist the company in making collections.

AUM to compound at 37% over FY23-26E; RoA to reach ~4.6%; we resume coverage on PFL with BUY and TP of Rs430/share

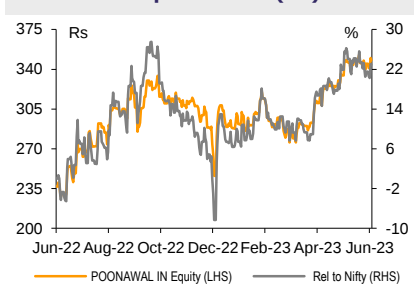
With an experienced management, competitive product suite, and right strategy in place, we expect disbursement growth of ~31% over FY23-26E for PFL which should translate into AUM growth of ~37% over the same period. With NIMs expected to expand, opex-ratios expected to decline, and credit costs likely to be moderate, we expect RoA/RoE of 4.6%/15.2% in FY26E. We resume coverage on PFL with a BUY recommendation and Jun-24E TP of Rs430/sh (earlier Rs300), which implies Jun-25E P/ABV of 3.0x. **Key risks:** Any shocks in the current uncertain macro environment can result in growth slowdown as well as deterioration in asset quality, especially given the larger unsecured portion of PFL's book.

Target Price – 12M	Jun-24
Change in TP (%)	43.3
Current Reco.	BUY
Previous Reco.	HOLD
Upside/(Downside) (%)	24.7
CMP (28-Jun-23) (Rs)	344.9

Stock Data	Ticker
52-week High (Rs)	366
52-week Low (Rs)	224
Shares outstanding (mn)	768.1
Market-cap (Rs bn)	265
Market-cap (USD mn)	3,229
Net-debt, FY24E (Rs mn)	1,392
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	819.7
ADTV-3M (USD mn)	10.0
Free float (%)	-
Nifty-50	18,986
INR/USD	82.1
Shareholding, Mar-23	
Promoters (%)	62.1
FPIs/MFs (%)	7.1/6.1

Price Performance

(%)	1M	3M	12M
Absolute	0.3	22.1	44.3
Rel. to Nifty	(2.9)	9.1	20.5

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Investment Thesis

With India aspiring to become a USD5-trillion economy over the next few years, we believe there is a long runway for credit growth, especially in the MSME and Consumer lending space. Digitization is a trend that has gained popularity over the past few years, and is expected to see increasing adoption by the youth and middle-aged population in India, over coming years. In our view, PFL stands to gain tremendously, given the product and customer segments it operates in. With a competitive product suite of MSME-, Consumer Finance-, and the newly-launched Card-related products, we expect disbursements at PFL to register an impressive 31% CAGR over FY23-26E, translating into AUM of ~Rs416bn by FY26E (FY23-26E CAGR of 37%).

PFL has, in our view, the right ingredients and strategy in place to deliver a winning proposition. It is well capitalized, at 39% CRAR, and its strong parentage (with the Poonawalla Group firmly backing it) grants it a low-CoF advantage. These factors, combined with its primarily higher-yielding unsecured retail loan book, grant us confidence about margins expanding by ~190bps over FY23-26E, for PFL.

The company has adopted a focused approach aimed at its customers, products and the geographies it operates in. Its customers are selected after undergoing a stringent credit-screening process, generally falling under the credit-tested, high credit score category, i.e. 'prime customers'. PFL's product suite is a carefully-curated mix of secured and unsecured products to match its ambitions, with the company taking due care to not spread itself too thin, and to operate in segments where it believes it has the right to win. A similar concentrated approach for its geographical spread, which ties in with its target customer profile, leads it to operate primarily in tier-1 and tier-2 cities. We believe the three aforementioned factors should result in super asset quality, with average credit costs of ~1.4% over FY23-26E.

With the aim of being a tech-driven, digital-first lender, PFL has, post the Magma Fincorp acquisition, made substantial investments on the technology front. With phase 1 of its technology infrastructure complete, and phase 2 on course to being delivered over the next 2 quarters, PFL has all the means to offer efficient end-to-end digital journeys for most of its products. With tech taking center stage in its operations, PFL has undergone a significant branch & employee rationalization exercise post the acquisition. Management believes that over the next 3-4 years, PFL can be comfortably operated with only ~2,500 employees and from ~100 branches, which will primarily be used for collection purposes. These factors, in addition to ESOP expense cuts expected over the next few years and operating leverage expected from the tech investments made, assure us that PFL's opex-to-AUM should moderate, from ~5.8% in FY23 to ~3.9% in FY26E.

Thus, on the back of an improving performance delivery, we resume coverage with a BUY recommendation, and a revised Jun-24E TP of Rs430/share (earlier Rs300), using the excess return on equity (ERE) method. Our TP implies a Jun-25E P/ABV of 3.0x, RoA of ~4.6% and RoE of ~15.2%, for FY26E. **Key risks to our assumptions:** Any shocks in the current uncertain macro environment can result in growth slowdown as well as in deterioration of asset quality, especially given the larger unsecured portion of PFL's book.

Exhibit 1: Valuations – PFL vs peers

Ticker	Rating	CMP (Rs/sh)	TP (Rs/sh)	Upside	Mkt. Cap		P/BV (x)			P/E (x)			RoA (%)			RoE (%)		
					INR	USD	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
CIFC	Buy	1,128	1,005	-10.9%	927	11.3	5.3	4.3	3.5	25.9	21.3	16.9	2.8	2.7	2.7	22.5	22.4	23.0
MMFS	Hold	326	270	-17.3%	403	4.9	2.2	2.0	1.8	18.4	13.3	10.9	2.1	2.3	2.3	12.4	15.6	17.0
SHFL*	Buy	1,701	1,745	2.6%	638	7.8	1.3	1.1	1.0	8.3	7.0	5.9	3.4	3.5	3.6	16.2	16.8	17.5
LTFH	Buy	123	125	1.3%	306	3.7	1.3	1.2	1.0	13.4	10.9	9.0	2.1	2.3	2.3	10.2	11.4	12.4
LICHF	Buy	394	425	8.0%	217	2.6	0.7	0.7	0.6	6.6	5.8	5.2	1.1	1.2	1.2	11.5	12.0	12.1
PIEL^	Buy	949	1,080	13.8%	227	2.8	0.6	0.6	0.6	14.2	9.8	6.7	3.3	2.6	3.1	9.3	7.5	10.0
ABCAP	Buy	194	200	3.4%	468	5.7	2.0	1.8	1.6	18.2	14.3	11.7	38.2	45.2	49.7	12.3	13.6	14.4
POONAWAL	Buy	345	430	24.7%	265	3.2	2.8	2.5	2.2	27.9	20.8	15.3	4.6	4.6	4.6	11.9	12.6	15.2

Source: Companies, Emkay Research

Pivoting away from 'Magma'

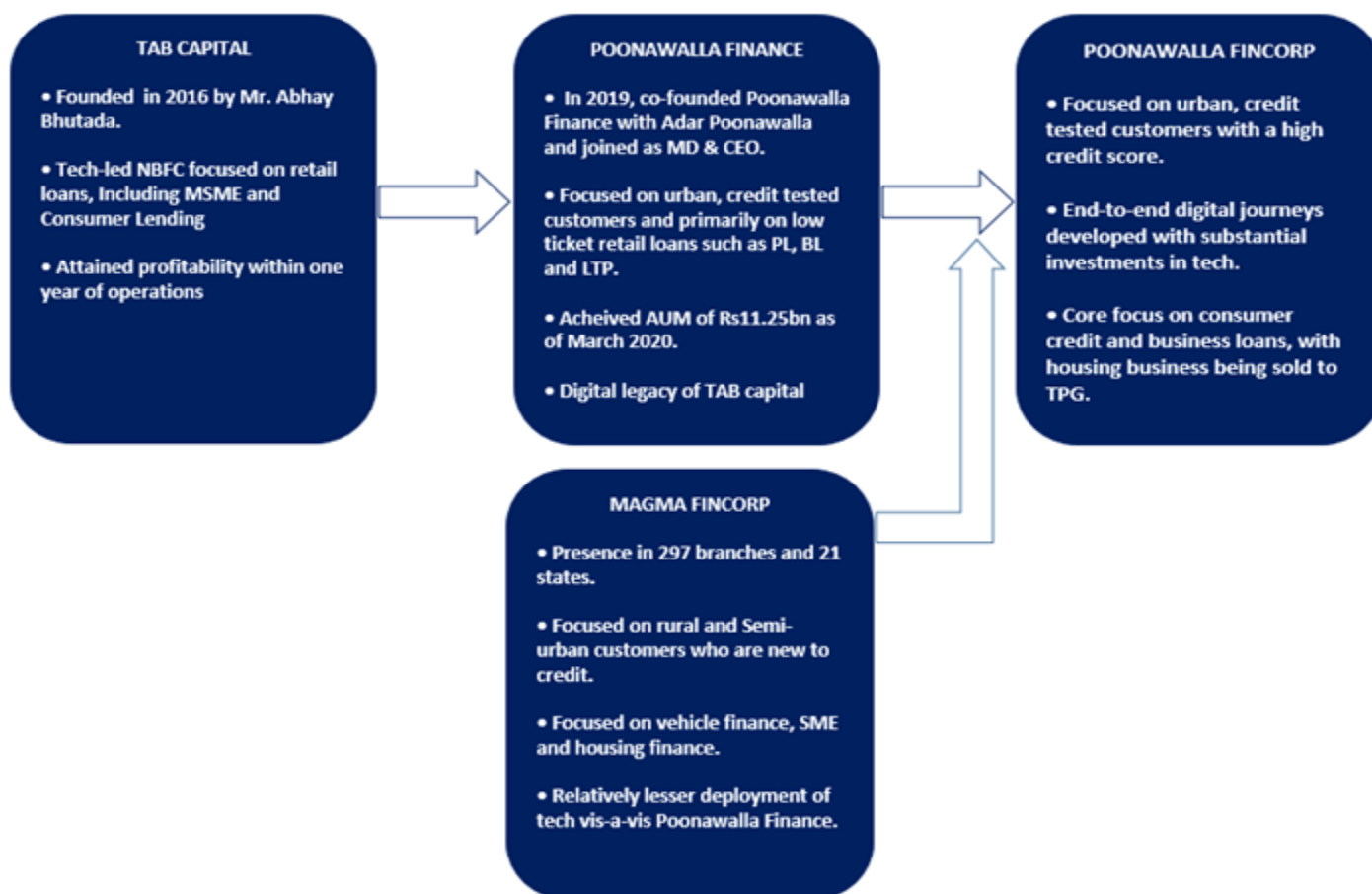
The Cyrus Poonawalla Group completed acquisition of embattled lender Magma Fincorp in February 2021, via a preferential allotment of Rs34.56bn, through Rising Sun Holdings (a Poonawalla Group company). Post the acquisition, Poonawalla Finance, the existing finance arm of the Poonawalla Group, was consolidated with Magma Fincorp, resulting in the creation of Poonawalla Fincorp (PFL).

Agile as a fintech, customer approach like a bank's, structure of an NBFC

Since slightly over 24 months of the takeover, PFL has done well to shed the 'Magma' tag, by diverting from the practices & products of erstwhile Magma Fincorp. PFL's management has worked on instilling a 'Digital First and tech led' culture across all functions of the company. Strong digital capabilities on every front, from sourcing and underwriting to collections and customer service, have enabled PFL to deliver the best-in-class turnaround time and customer experience. PFL's fintech architecture and digital capabilities grant it the preferred partner status among other fintech players within the ecosystem, and enables it to leverage a strategic partnership for accelerating customer acquisition and offering digital-first products.

The customer segment targeted by PFL dips into a section of the pool also eyed by banks, i.e. primarily urban, digital class customers who are credit tested. This is in stark contrast to the informal, semi-urban/rural, new-to-credit segments targeted by erstwhile Magma Fincorp. PFL's price competitiveness, as well as its aforementioned quick turnaround time and digital capabilities, has given the company 'choice of first refusal' within its customer segment.

Exhibit 2: PFL's journey, from TAB Capital to Poonawalla Fincorp – Magma augmenting the transition



Source: Company, Emkay Research

Mr. Bhutada's entire journey, from TAB Capital to Poonawalla Finance and eventually to Poonawalla Fincorp, has unwaveringly maintained the core principle of digital first and tech-led servicing. The acquisition of Magma Fincorp, in addition to listing benefits, transformed Poonawalla Finance into a pan-India player with a large branch network and strong collection capabilities.

Exhibit 3: Selective product expansion since acquisition

Pre-acquisition products	Existing products			Upcoming products
Pre-owned car	Pre-owned car	Digital Business Loans	Machinery Loan	Credit Card
Business Loans	Marchant Cash Adv.	Digital Personal Loans	Digital Consumption Loan	EMI Card
Affordable Home Loan	Digital Cosumer Fin.	Digital LTP	Medical Equipment Loan	
Affordable LAP	Auto Lease	Digital SME LAP	Supply Chain Loan	

Source: Company, Emkay Research

PFL has undergone a drastic change in the product suite of erstwhile Magma Fincorp. Its pivot towards unsecured lending (targeted mix of 70:30 for unsecured: secured lending) has led to a foray in digitally-focused consumer lending products, such as digital business/personal loans, while also offering secured loans to businesses such as machinery loans and medical equipment loans.

On one hand, some products from the legacy Magma portfolio have survived in form, while on the other, they are entirely different in spirit; a prime example is the pre-owned car product. The legacy Magma pre-owned car book is expected to entirely run off by Q1FY24. Under the *Poonawalla* brand, PFL is approaching customers in a bank-like manner for its pre-owned car segment — it does not conduct yellow plate funding. The business for the product is sourced from multiple channels, such as co-lending (*cars24*), partnerships (*Cardekho*) and direct sourcing (25-30% of sourcing), staying true to PFL's digital-first nature.

PFL's aspirations, however, do not end here. It is continually seeking to widen its product offerings. One such product is focused on transaction finance, which was launched in Mar-2023. With regard to the consumer-finance & credit-card business (where it will have a partner), PFL's primary focus is on tie-ups with retail giants such as Amazon and Flipkart. Akin to much larger peers like Bajaj Finance (BAF), PFL would also have presence in stores of consumer electronic players like Croma and Vijay Sales. However, unlike BAF, PFL's presence will be purely digital, which will also help it gain presence in smaller retail stores in the vicinity of aforementioned players.

Exhibit 4: Product offering to target urban 'prime' customers

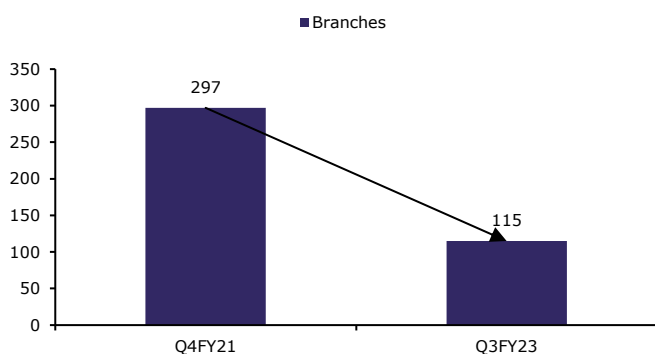
Product	TAT (no. of days)	Rate	Avg tenure (no. of months)	Avg monthly disbursement (Rs mn)	Credit cost / NNPA	Branch coverage / operations (no. of)	ATS (Rs mn)	AUM (Rs mn)*	Competitor
POC	1	15%	48	2,000	0.80%	100	0.5	26,900	Shriram Finance, MMFS, Hinduja Leyland
LAP	4	11%	120	2,500	Nil	40	10	25,590	ABFL, HeroFincorp
LTP [#]	1	12.5%	36	1,000	0.5%	Pan India	1	45,160	Bajaj Finance, Cholamandalam Investment
PL	1	14%	24	5,000	0.5%	Pan India	0.2	25,780	
BL [#]	1	18.5%	36	2,000	1%	Pan India	1.8 (branch)/ 0.5 (other)		
ML	1	11%	60	100	0.1	100	5	600	Fullerton India, IIFL Finance

Source: Company, Emkay Research; Note: *as of Q4FY23; [#]Company reports the BL and LTP AUM as one-line item

Branch-/employee-light model, the way forward

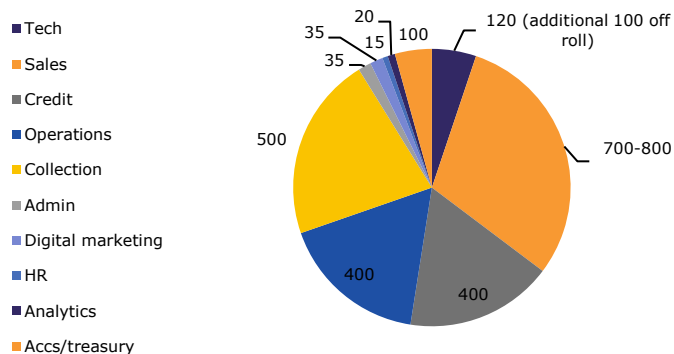
- Having positioned itself as a tech-led NBFC, PFL has undergone a significant branch rationalization exercise post-acquisition and intends to maintain a branch- and employee-light model. PFL currently operates close to 115 branches, with a pan-India presence. These branches mainly serve as a collection infrastructure, with ~500 employees in the collections vertical. Third-party agents are employed for loans that are >90dpd (~120 personnel off-roll).
- Management is confident of operating at full productivity with a strength of ~2,500 employees over the next 3-4 years. Given the benefits of a robust digital model, cross-selling prowess, and a tech-led philosophy, PFL does not envisage the need to increase its manpower over the next 3-4 years.
- In fact, manpower reduction and employee cost savings are on the horizon. PFL requires a certain number of employees to help with collections on the legacy Magma book. As the book runs out by Q1FY24, Management expects cost savings of ~Rs100mn a month. The second tranche of cost savings is expected to be on the ESOP front. Currently, PFL expends ~Rs400mn a quarter on ESOP. Company estimates this to reduce to ~Rs800mn for FY24 and to ~Rs200-300mn for FY25. We have built-in overall opex-to-AUM of ~4.6%/4.3%/3.9% for FY24E/25E/26E, respectively

Exhibit 5: Significant branch rationalization since acquisition



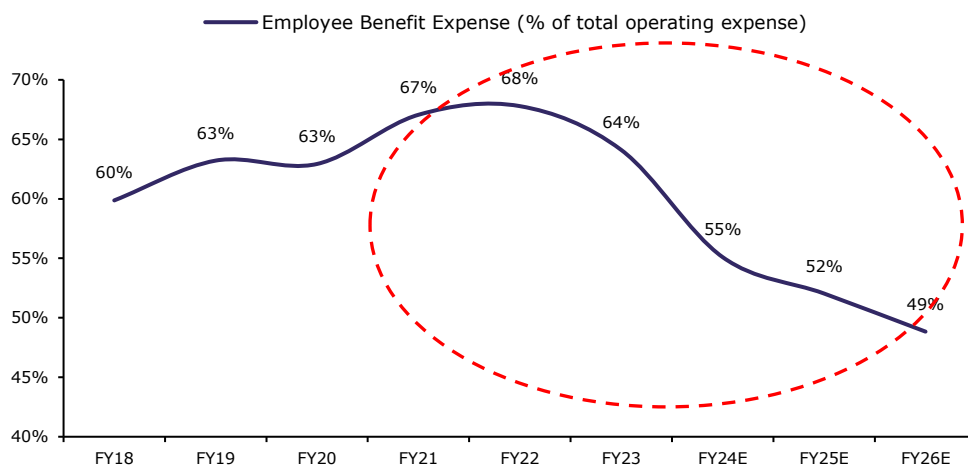
Source: Company, Emkay Research

Exhibit 6: Manpower breakdown



Source: Company, Emkay Research; Note: Manpower = No. of employees

Exhibit 7: Employee rationalization and ESOP cost reduction reflect in the lower share of employee-benefit expenses



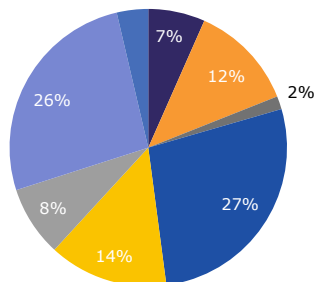
Source: Company, Emkay Research

Sale of Poonawalla Housing Finance — Preparing to exit non-focused affordable housing

- PFL, in its Board meeting held on 14-Dec-2022, approved the sale of its housing finance subsidiary Poonawalla Housing Finance (PHFL) to TPG (Perseus SG Pte., an entity affiliated with TPG Global, LLC). The deal has been finalized at Rs39bn which values PHFL at a trailing Sep-22 P/BVPS of 3.4x.
- The sale is congruent with one of the objectives of PFL's Vision 2025 — of value unlocking in the housing subsidiary. Management believes the transaction will help to primarily focus on PFL maximizing value creation by optimizing resource allocation and shifting Management focus purely to the standalone entity.
- In our view, this transaction is consistent with PFL's target customer segment. The target customer profile has undergone drastic changes since the Magma days. Gone is the focus on rural, informal or low-credit-score customers. The new target demographic represents the urban class with high credit scores. Given that such customers would largely have accounts in large banks, such as SBI, ICICI Bank and HDFC Bank, cross-selling of home loan products would be unfeasible for PFL. Thus, we believe hiving off the housing arm and doubling down on the consumer lending segment are both in line with Management's stated vision.
- PFL's consolidated portfolio, excluding the legacy CV/CE loans and mortgage portfolio, will primarily be composed of LAP (16%), pre-owned car loans (17%), unsecured personal/business loans (44%), DA acquired portfolio of 8%, and auto lease and others for the remaining. Per our assessment, almost two-thirds of the portfolio would be unsecured loans, while the balance would be quasi secured, like LAP and pre-owned car loans.

Exhibit 8: Loan book composition — Pre-sale

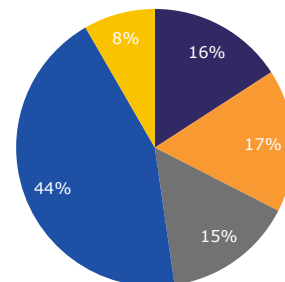
■ LAP
 ■ Pre-owned car
 ■ Auto lease
 ■ Unsecured PL/ BL/ Loan to professionals
 ■ DA (acquired)
 ■ Legacy book



Source: Company, Emkay Research

Exhibit 9: Loan book composition — Post-sale

■ LAP
 ■ Pre-owned car
 ■ Auto lease & others
 ■ Unsecured PL/ BL/ Loan to professionals
 ■ DA (acquired)



Source: Company, Emkay Research

Exhibit 10: Sale of Poonawalla Housing Finance — Value unlocking in the housing subsidiary

Computation of gain on sale of Poonawalla Housing (Rs mn)	
Amount realized on sale of HFC	38,180
Book value of investment	8,200
PBT gain from sale of asset	29,980
Indexed value of asset sold	9,780
Gain for tax consideration	28,400
Tax realized	6,700
Post-tax capital gain from sale of HFC	23,280
Total receipt from sale	31,480

Source: Company, Emkay Research

PFL's progress based on early tech adoption and being a digital-first lender

Tech is at the heart of the PFL journey. The company aspires to be a tech-led, digital-first NBFC with a fintech-like architecture and, further to this, has largely seen success. PFL's digital transformation drive has two phases, with the company having completed **Phase-1** and launched multiple products in line with its strategy. With strong foundations in place, the company is now well on its way to deliver **Phase-2** by Q2FY24, through a state-of-the-art digital platform, to offer superior customer experience.

Exhibit 11: Phase 1 of PFL's journey has laid strong foundations...

Strong Roots of Digital, Technology & Analytics

Successfully implemented in Phase 1 over the last 6 quarters



Core Platform	Customer Relationship Management	Loan Origination Platform	Rule Engine Platform	Loan Management Platform	Collection Management Platform
	Lead generation Calling & Campaigns Validations & Checks	Onboarding Process workflow Advanced validations	Real time Analysis Policy validation Decision engine	Loan Servicing Loan Repayment Loan Closure	Dues follow up Case Allocation & Legal Repo. & Settlement
API Gateway	Multiple APIs for seamless interface				
Marketing Solutions	SMS	WhatsApp	E-mail	Custom Journeys	Contact Centre
Contact Centre	Dialler Operations	Customer History	Customer Offers	Single customer view	Call Governance
	Across Sales & Service				
Data & Analytics	Straight Through Processing (STP)	Pre-Approved / Qualified Offer Generation	Product X-Sell / Up Sell Propensity	Data Warehouse	Analysis & Reporting
Digital	Digital KYC Smart Contract	Chatbot & Robotic Process Automation	Unified Payments Platform	End 2 End Web based Journeys	Strong Digital Marketing Capabilities
Infrastructure	Cloud Infrastructure	Disaster Recovery Infrastructure	High Availability Infrastructure	Data Security	Cyber Security
Channels	Branch Direct Sales Web Contact Centre Direct Sales Agent App				

Source: Company

Exhibit 12: ...on which Phase 2 is being built

Phase 2 :Journey Started..

On track to deliver it over next 2 Quarters (~50% work completed in Q4FY23)



Enhanced Digital Platform	Customer Portal	Straight Through Disbursal Platform	Customer Mobile Super App	App Based Lending & Referrals	Digital Collections Platform
	Partner On-boarding & Self-Service Platform	Automated & Fully Integrated Sales Incentives & Commissions Engine	Fully Integrated Cloud ERP Platform	Merchant Mobile App	Fully Integrated Treasury Management Platform
New Digital Products	Supply Chain Finance	Merchant Finance	Virtual Cards	Transaction Finance	Credit Limit Program
Network & Marketplace	Marketplace	E Commerce	Referrals Program	Co-Lending	QR Code Merchants
AI & ML Initiatives	ML Scorecards based Campaigns	AI Enabled Automated Voice Based Collections	AI Enabled Digital Assistant for Customer Self Service	Omnichannel Customer Persona Based Onboarding	AI Powered Transaction Recon Engine
	AI Powered Automated Outbound Sales Calls	AI Powered Inbound Voice Assistant	ML Based Collections Scorecard	ML Based Behavior Scorecard	ML Powered Sales Forecast & Management Dashboards
Infrastructure	Multi Cloud Hosting	Enhanced Info Security Operations Center	Network Operations Center	DevOps Platform	Zero On-Premises Data Center
Future Tech Thought Leadership	Strong In-house Team		Industry best Training Program for Fresh Engineering Talent		

Source: Company

Exhibit 13: Sourcing at PFL is a mixture of the direct and partnership models

Product	Sourcing method
Pre-owned car	Co-lending (<i>cars24</i>), Partnership (<i>Cardekho</i>), Direct sourcing (25-30%).
LAP & Business Loan	Sourcing primarily through DSAs (75-80%), with 20-25% direct.
Loan to professionals	Sourcing done via data scrubbing bureau reports, ICAI, IMA and ICSI database (LTP has been availed by 3,000 CAs).
Short-term PL/BL	Lead generation done by partners like KreditBee, Smart coin, paisa bazar, etc.

Source: Company, Emkay Research

Our interactions with PFL suggest the use of a five-faceted campaign for business acquisition

- **SMS campaign:** PFL sends a push message to potential clients once there is consent of/intent from the client. A soft bureau check is conducted using basic client details, and if the client passes a simple hygiene check, they are provided with loan application/or assistance from the customer support team for further processing.
- **E-mail burst:** E-mails are sent to all potential clients whose data has been collected from the bureau/other partners/lead aggregators or what is a part of a purchased data set. Once intent is displayed by a customer, a conversion process similar to the SMS campaign is adopted.
- **WhatsApp campaign:** The Company reaches customers via the WhatsApp platform, which also serves as the mode for the loan application. Through the entire process, only the E-NACH is done via non-WhatsApp channels.
- **Display ads:** Customized display adds using key words, the google display network, push notifications, YouTube, META, etc. The campaigns target customers in specific locations, age-groups, with a particular background, etc. The lead sharing agreement in this case is based on workable leads.
- **Outbound campaign and web portal:** When a customer visits the PFL website and gives consent to use the free bureau report fetched by the client, the same data is used by the analytics team to provide offers to the potential customer.

Exhibit 14: End-to-end digital customer journey at PFL

	PL/BL (including STPL and STBL)	Pre-owned Car	Loan to Professionals	Machinery Loan	LAP
Sourcing	1) Digital sourcing through ad campaign, push notification, Social media advertising. 2) Company Website 3) Free bureau score check on the PFL portal 4) DSA/connectors 5) Lead Aggregators and Bureau data pull (purchased data)	1) Dealer partnership (<i>cars 24</i>) — 50% 2) Dealer Aggregator (like <i>cardekho</i>) — 20-25% 3) Direct sourcing - sales staff, website, cold calling (25%)	1) MOU/Agreement with professional Bodies — ICAI, IMA, CS Institute etc	1) OEMS 2) DSA/Connectors 3) Direct sourcing — cold calling	1) DSA/Connector 2) Direct sourcing — visiting customer business/cold calling on purchased leads 3) Lead aggregators
Pre-Login	Application form to be filled digitally on the portal, along with KYC upload, Phone & Email verification for all borrowers. Digital consent from all borrowers for bureau pull. Score-based segregation of leads based on the internal scoring model.				
Minimum requirement	CIBIL score of >700, no login for first-time borrower/poor credit history of customer with no valid justification.				
Login	System upload of Income documents along with the PDF version of the Bank statement (no exceptions)				
Post Login check	Perfios is used for Banking analysis; Karza fetch is done wherever GST is applicable; RCU/FCU (Risk Containment Unit/Fraud Control Unit) check for fraudulent documents/profile; Customer point verification for address check; Dedupe check in existing customer data base.				
Credit underwriting	All personal discussion is done digitally — vi a Zoom call or other means. For a higher ticket size loan, physical PD and verification is done (done only where branch is located) Post PD documents query (if applicable), else case is approved by the central underwriting team.	Wherever applicable, PD is done digitally; post satisfactory PD/checks, the case is approved for disbursement	All PD done virtually	All PD done virtually	All personal discussion is done digitally — via a Zoom call or by other means (physical PD wherever required). Geographical limit of up to 40km from the branch location Post PD documents query (if applicable), else case is sent for approval to the approving authority.
Disbursement/Loan agreement	100% digital process with digital loan agreement.	100% digital process with digital loan agreement, except Hypothecation.	100% digital process with digital loan agreement.	100% digital process with digital loan agreement, except Hypothecation.	100% digital process with digital loan agreement, except Mortgage creation
Post Disbursement services	CRM and IVR processes to help customers on their FAQ and other support, central customer service team.				
Collection	Mostly digital (soft collection method for non-delinquent customers and Hard collection for delinquent customers). For all the +90 cases, collection is outsourced.				

Source: Company, Emkay Research

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A customer's digital journey at PFL

Simplified Onboarding: In this digital era, every customer looks for an end-to-end frictionless experience and seamless on-boarding, with minimal paper work. In this regard, PFL has developed a 100% tech-led onboarding platform, where customers only need to give their consent, for fetching details from the UIDAI/Digi Locker, to complete the e-KYC formality. Once the data is successfully authenticated, it gets auto populated in the application form, saving time for the customer and reducing human intervention, leading to reduced data-entry errors.

Sanity check: PFL, leveraging its AI/ML/Big Data analytical tools, proprietary score card system and soft bureau report, filters out the non-target profile customers, leading to increased bandwidth and efficiency of the underwriting team. Once the file passes the basic hygiene check, it is transferred to the underwriting team, and customers are prompted to upload the relevant documents.

Creditworthiness assessment: The underwriting process at PFL is largely centralized, and personal discussion (PD) with customers is done digitally over video calls (physical PD is conducted, if necessary, for added due-diligence). Data related to financial statements, banking, GST filing, etc. are analyzed and summarized using multiple softwares and services of fintech partners like Perfios, Karza tech, Lead square, etc., for providing a 360° overview of customer credit history, borrowing pattern, banking habits, business transactions (output data is re-evaluated on an internal scoring system, for inconsistency).

On-boarding customer: Post a positive credit assessment and eligibility check, the file is forwarded to the operations team for final checks and disbursement. Customers are provided with an e-agreement (online digital loan agreement) and E-NACH and, after the final check by the operations team, the loan is disbursed into the customer's account. Only in case of the LAP and POC segments, a physical visit is carried out, for hypothecation and mortgage charge creation.

Collection and early warning system: PFL employs a hybrid collection model — with collection being a function of both, the in-house and outsourced teams. Collection for loans that are >90dpd are generally outsourced. The first-time collection rate is generally above 95% (in the 97-98% range). The bounce rate is close to 5%, of which 35% is collected through tele-calling (soft collection). PFL has developed a system that provides early warning signs related to a risky/stressed customer, based on the customer's financial condition and that of the industry in which that customer is operating, their banking and repayment habits, GST data, etc.

CRM system: PFL has a centralized customer service team dedicated to customer support and grievance resolution. Besides this, they have other social media management services, such as Hootsuite and Locobuzz, to service customers.

Exhibit 15: Technology employed across various functions at PFL



Source: Company

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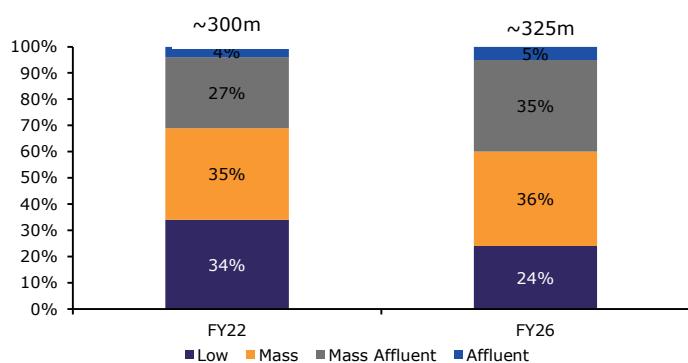
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Poonawalla – A cog in the India wheel

With COVID-19 now firmly a far-away reflection in the rear-view mirror, the India consumption story looks more promising than ever, on the back of the renewed public sector infrastructure push, growing adoption of digitization across demographics and rising income levels. According to Bain & Company, consumption is expected to grow, from USD1.8–1.9trillion in FY21 to ~USD3trillion by FY26 due to rise in demand from 4mn new affluent/33mn new mass-affluent households. Also, MSMEs are expected to be key to the overall economy, likely to contribute USD1.3trillion in gross value-added terms by FY26. MSMEs, however, still lack access to sources of formal credit, with 60% of credit to MSMEs coming from the unorganized sector. The GVA added by MSMEs is expected to log an impressive 11% CAGR by FY26.

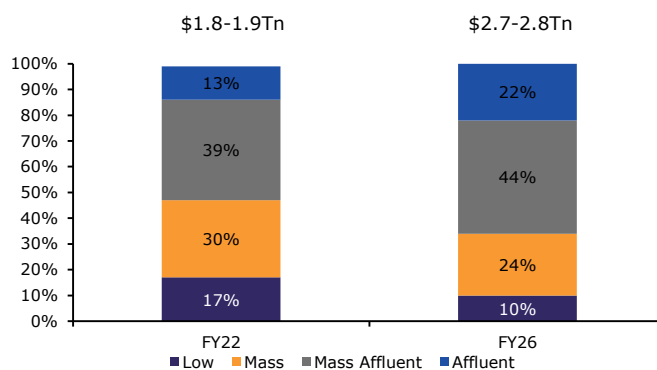
In terms of consumption growth in the income segment, the largest shift in share is expected to be in the affluent segment, rising from ~13% share in FY22 to ~22% by FY26. This bodes well for PFL, whose primary customer segment is the urban, digital customer who is credit tested. Having built its tech infrastructure, PFL has established itself as one of the leading tech-driven NBFCs focused on consumer and MSME financing.

Exhibit 16: No. of households by income group – Share of the affluent and mass-affluent segments to rise



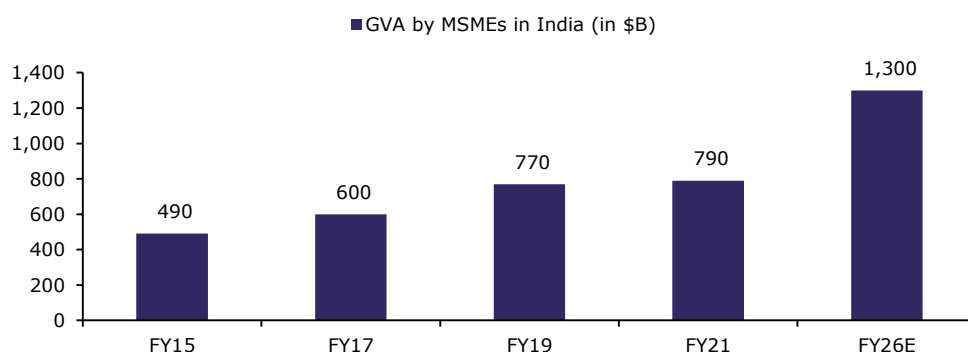
Source: Bain & Company, Emkay Research

Exhibit 17: Consumption by Income group – Consumption to rise in the affluent and mass-affluent segments



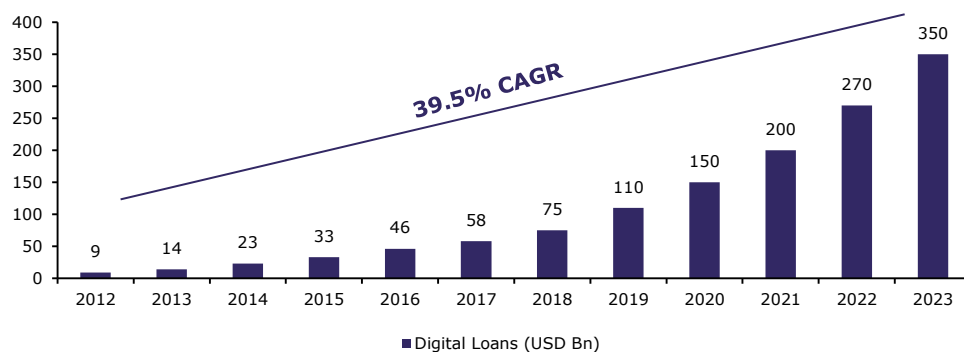
Source: Bain & Company, Emkay Research

Exhibit 18: The GVA added by MSMEs is expected to clock 16% CAGR over FY21-26



Source: Bain & Company, Emkay Research

The growth of digital lending in India has been phenomenal, at 39.5% CAGR over FY12-23, as per Experian. PFL aims to be hard-line digital-first lender, as is evident in the share of its direct, digital and partnership (DDP) route lending of 81% in its overall disbursements.

Exhibit 19: Digital loans in India have seen robust growth over the past decade

Source: Experian, Emkay Research

Digital lending across sectors in India is estimated at ~INR2.7trillion, as of March 2019. As per Experian, India's market for digital lending is expected to grow, from USD110bn in 2019 to USD350bn in 2023. This is likely to increase the share of digital lending in India's overall lending market, from 23% in 2018 to 48% by 2023, making digital lending a sector with the highest penetration by digital channels in the country. The joint report from ICICI Bank and CRISIL estimates that the digital lending sector would account for ~16% of retail loans in the next 5 years— a 10% increase from the current share of ~6%.

Vision 2025 – Good progress so far

Exhibit 20: Goals on path to being accomplished

Vision 2025	Achievements so far
To be amongst top 3 NBFCs in consumer and MSMEs	Product diversification to have large presence in chosen segments. Leadership in select
Risk-calibrated accelerated growth, ~3x of FY21 AUM	AUM @ 1.5x of FY21 Focused AUM @ 3.3x of FY21
Amongst the lowest COF in the industry ~250 bps reduction in borrowing cost	Achieved: Rating upgraded to AAA. Amongst lowest cost borrower.
Best-in-class Asset Quality; Net Stage 3 < 1%	Achieved: NS3 < 0.85% as of Mar'23

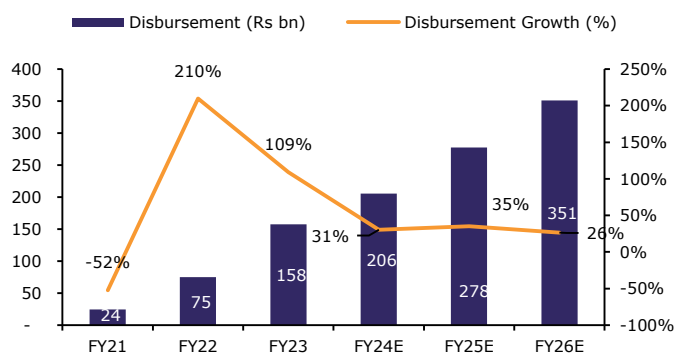
Source: Company, Emkay Research

Exhibit 21: Long-term guidance on financial metrics

AUM growth 35-40%	Profit growth	GNPA 1.3-1.8%
NNPA 0.5-0.9%	RoA 4-4.5%	

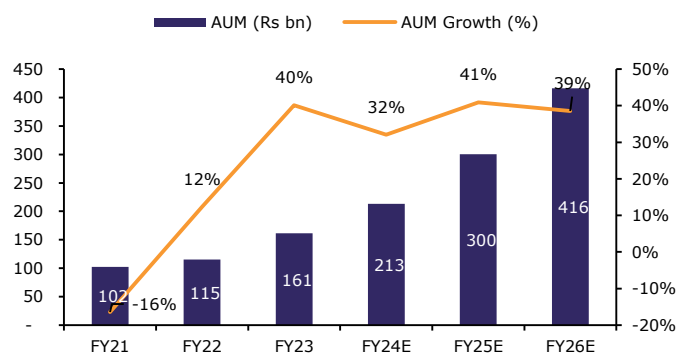
Source: Company, Emkay Research

Exhibit 22: We expect disbursement CAGR of 31% over FY23-26E...



Source: Company, Emkay Research

Exhibit 23: ...resulting in 37% AUM CAGR



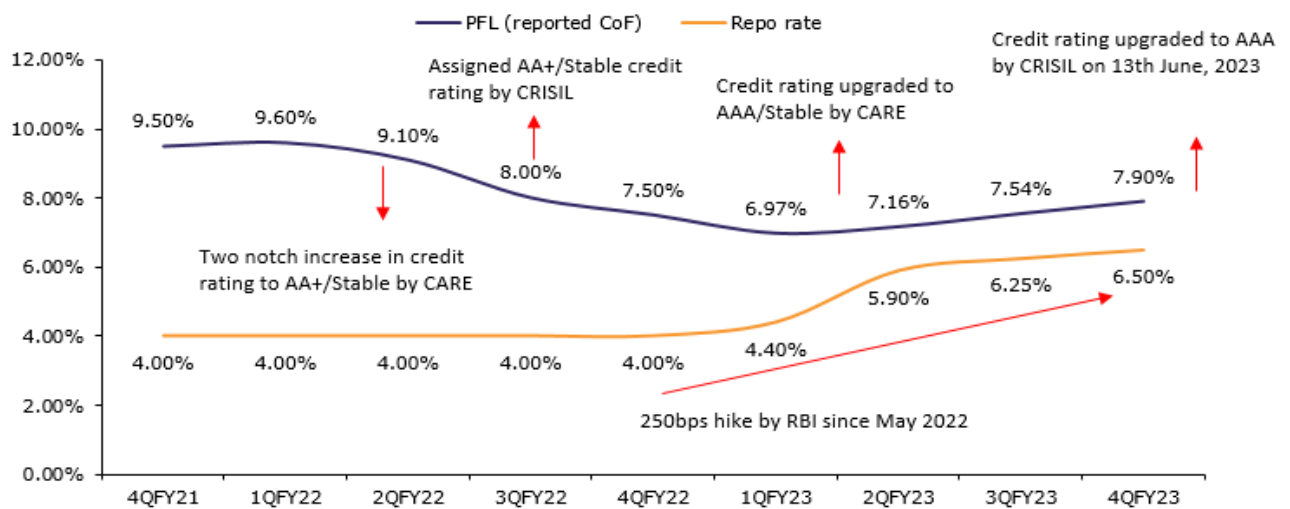
Source: Company, Emkay Research

PFL has been aggressively growing its loan book post-acquisition, with disbursements having clocked 155% CAGR over FY21-23E, resulting in AUM growth of ~26% over the same period to ~Rs161bn as of Mar-23. Given the immense opportunity available in the consumer and MSME markets in India, coupled with PFL's aggressive digital acquisition model, new product pipeline in addition to existing high-growth products, and competitive yields, we have built-in disbursement growth of 31% over FY23-26E, resulting in AUM growth of 37% to ~Rs416bn by FY26E.

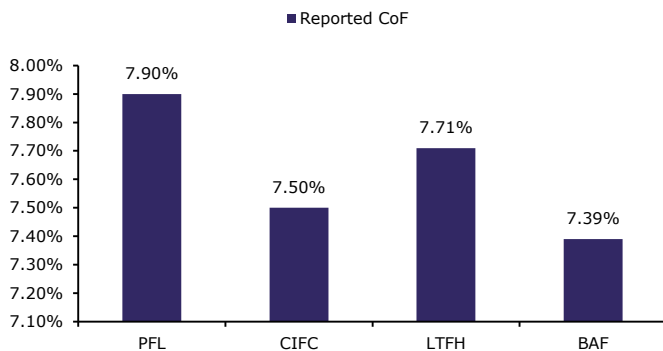
Exhibit 24: MCLR of large banks in India has risen by ~154bps since Apr-22, with the RBI hiking repo rates by 250bps over the same period

Bank (%)	Apr-2022	May-2022	June-2022	July-2022	Aug-2022	Sep-2022	Oct-2022	Nov-2022	Dec-2022	Jan-23	Feb-23	Mar-23	Apr-23	May-23
BOB	7.35	7.40	7.50	7.65	7.70	7.80	7.95	8.05	8.30	8.50	8.55	8.55	8.60	8.60
SBI	7.10	7.20	7.40	7.50	7.70	7.70	7.95	8.05	8.30	8.40	8.50	8.50	8.50	8.50
PNB	7.25	7.25	7.40	7.55	7.65	7.70	7.75	8.05	8.10	8.30	8.40	8.50	8.50	8.50
HDFCB	7.25	7.50	7.85	8.05	8.10	8.20	8.20	8.55	8.60	8.85	8.90	8.95	8.95	9.05
Axis Bank	7.40	7.75	7.95	8.00	8.05	8.10	8.35	8.45	8.75	8.80	8.90	8.95	8.95	9.10
Kotak Mah Bank	7.40	7.65	7.85	8.05	8.10	8.20	8.45	8.55	8.65	8.95	9.00	9.05	9.10	9.20
ICICIB	7.25	7.25	7.55	7.75	7.90	8.00	8.10	8.30	8.40	8.65	8.65	8.75	8.75	8.75
IndusInd Bank	8.55	8.75	9.00	9.10	9.30	9.40	9.55	9.80	9.95	9.95	10.05	10.15	10.20	10.20

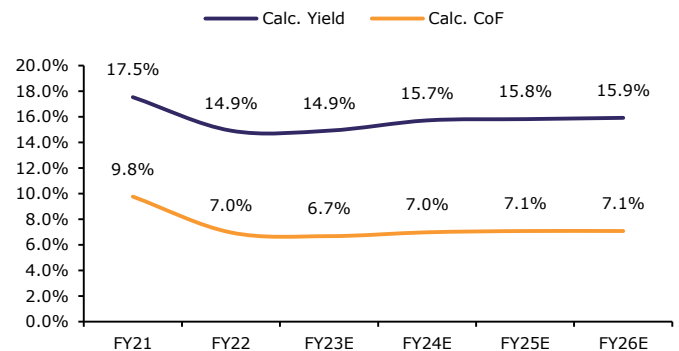
Source: Companies, Emkay Research

Exhibit 25: PFL has enjoyed an improved CoF on the back of credit rating upgrades; limited rise in CoF, despite repo rate hikes of 250bps


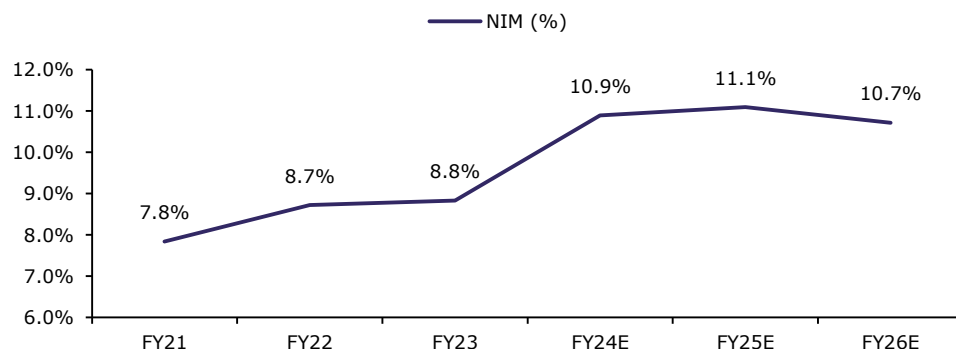
Source: Company, Emkay Research

Exhibit 26: CoF on a par with more established peers, despite some high-cost legacy borrowings*


Source: Company, Emkay Research; * as of Q4FY23

Exhibit 27: Yields to rise due to asset mix focused on unsecured products; CoF show strong parentage


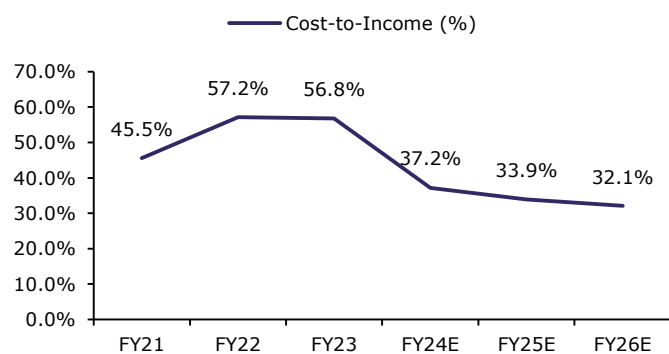
Source: Company, Emkay Research

Exhibit 28: Cost-of-funds benefit and higher yields to drive NIM expansion

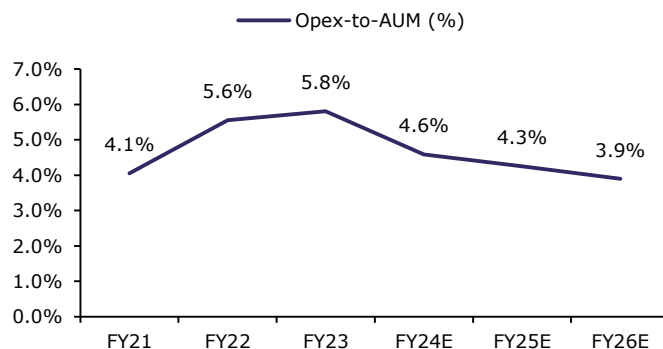
Source: Company, Emkay Research

PFL enjoys a strong 'cost of funds' position, given the credit rating upgrades it received post its acquisition of Magma Fincorp (Exhibit 25) on the back of strong parentage. Despite repo rates and MCLR of major banks rising by 250bps and ~154bps, respectively (Exhibit 24), since the beginning of the current rate hike cycle, PFL's reported cost of funds have risen by a mere ~90bps. In spite of being a more recent addition to the listed NBFC space, PFL enjoys cost of funds similar to more established peers' (Exhibit 26).

We expect PFL to continue displaying competitive cost of funds, with the legacy Magma borrowing of ~Rs11bn (at an average of ~10.5%) continuing to decline, as well as due to benefits accruing from the cash-rich position of fellow group company Serum Institute. The strong cash-flow engine in the form of Serum Institute would enable the group to run PFL with a singular focus on growth and quality, without worrying about cash needs elsewhere in the group. As a result, we expect margins to expand by ~190bps over FY23-26E.

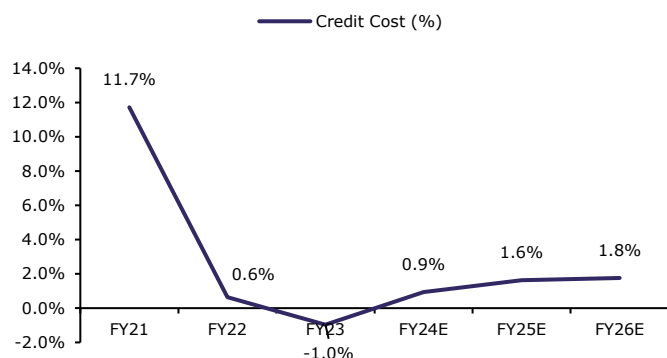
Exhibit 29: Operating leverage to kick in post tech investments and employee + branch rationalization

Source: Company, Emkay Research

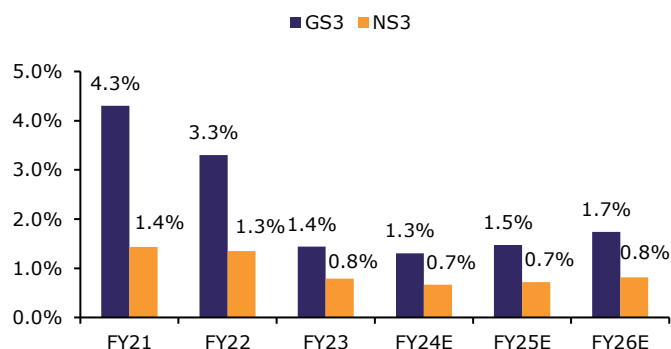
Exhibit 30: Opex-to-AUM to decline by ~190bs over FY23-26E

Source: Company, Emkay Research

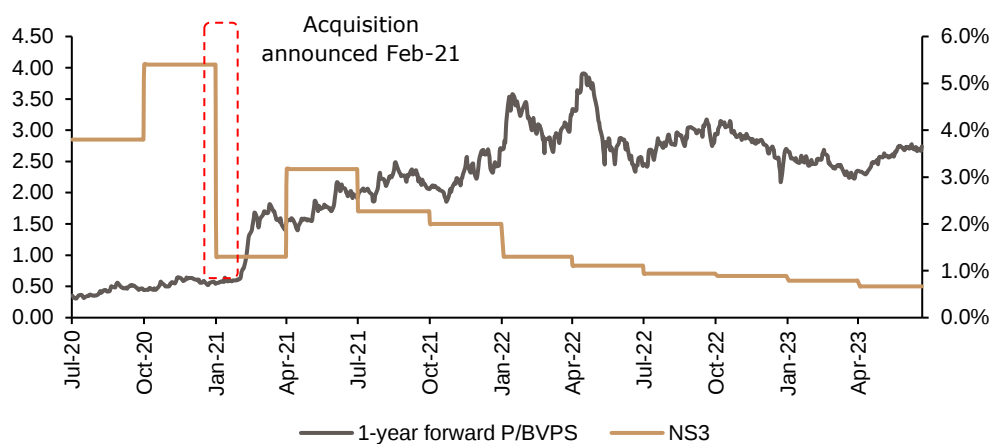
PFL has made major investments to build its tech capabilities, in line with its vision to be a digital-first lender. This is evident in the sharp spike in cost ratios witnessed post-acquisition. With the tech infrastructure now in place, coupled with the branch & employee rationalization undertaken by PFL, we expect operating leverage to kick in and cost ratios to moderate. We expect cost-to-income and opex-to-AUM to decline, from 56.8% and 5.8% in FY23 to ~32.1% and ~3.9%, respectively, in FY26E

Exhibit 31: Return to positive credit costs, post write-backs in FY23

Source: Company, Emkay Research

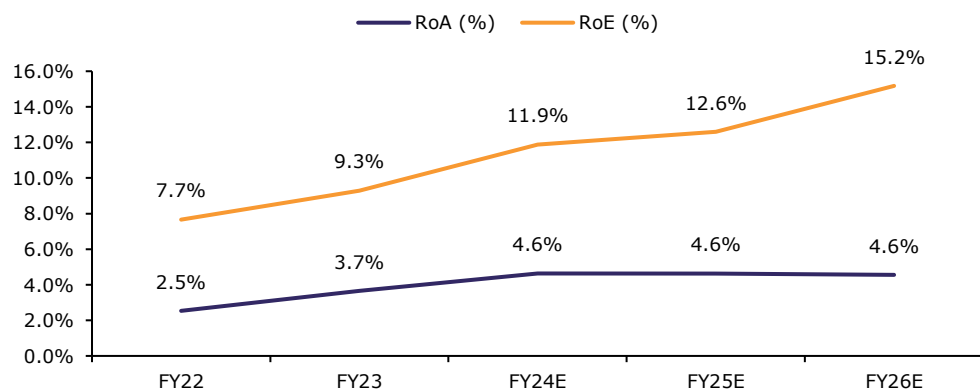
Exhibit 32: Asset quality expected to improve over coming years

Source: Company, Emkay Research

Exhibit 33: The stock has re-rated, as credit quality improved post-acquisition

Source: Company, Emkay Research

PFL deploys a stringent credit filter to cater to top-quality customers. It meets the needs of customers who have a credit history and credit score of >700, akin to the approach employed by banks. Based on our interactions with Management, we understand that PFL employs its own credit filters to operations with its co-lending partners. It enjoys FLDG in co-lending with fintechs. As a result, credit quality at PFL is of pristine quality, given its strong credit filtration process and cushion in the form of FLDG. Such factors are reflected in the modest credit cost of ~0.9/1.6/1.8% we have built-in for FY24/FY25/FY26E, respectively.

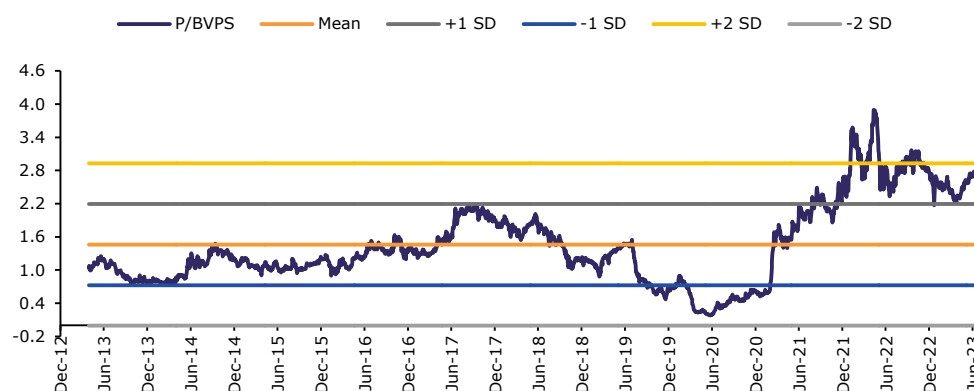
Exhibit 34: We expect PFL to deliver FY26E RoA of ~4.6%, translating into RoE of ~15.2%

Source: Company, Emkay Research

Exhibit 35: Key assumptions for our forecast

	FY21	FY22	FY23	FY24E	FY25E	FY26E
AUM growth	-16.4%	12.4%	40.1%	32.1%	40.9%	38.6%
Disbursement growth	-52.3%	209.7%	109.4%	30.6%	35.0%	26.4%
NIM	7.8%	8.7%	8.8%	10.9%	11.1%	10.7%
Opex-to-AUM	0.9%	1.3%	1.6%	1.7%	1.8%	1.8%
Credit Cost	11.7%	0.6%	-1.0%	0.9%	1.6%	1.8%
PCR on stage 3	70.4%	61.3%	46.2%	50.0%	52.0%	54.0%
GS3	4.3%	3.3%	1.4%	1.3%	1.5%	1.7%
NS3	1.4%	1.3%	0.8%	0.7%	0.7%	0.8%

Source: Company, Emkay Research

Exhibit 36: The stock currently trades at ~2.7x one-year forward book value


Source: Company, Emkay Research

We believe that PFL is well positioned to tap the strong demand for consumer finance in India. Having built its tech infrastructure, PFL has established itself as one of the leading tech-driven NBFCs focused on consumer and MSME financing. With operating leverage due to the investments already made, competitive cost of funding given PFL's strong parentage, competitive yield in high-growth product segments, superior and fair customer servicing, lower credit cost due to customer selection and robust risk management, and a well-experienced Management, we believe PFL can embark on its journey of delivering strong and profitable growth. Thus, on the back of improving performance delivery, we resume coverage with a BUY recommendation, and a revised Jun-24E TP of Rs430/share (earlier Rs300), using the excess return on equity (ERE) method. Our TP implies a Jun-25E P/ABV of 3.0x for FY26E RoA of ~4.6% and RoE of ~15.2%. **Key risks to our assumptions:** Any shocks in the current uncertain macro environment can result in growth slowdown as well as deterioration of asset quality, especially given the larger unsecured portion of PFL's book.

Experienced management in place to deliver growth

Exhibit 37: PFL's Management team

Name	Designation	Background
Abhay Bhutada	Managing Director	Mr. Bhutada has over 15 years of experience in the commercial and retail lending domain. He is passionate about using technology in financial services and has been instrumental in setting up the lending business for the Poonawalla Group, in his previous role he was MD & CEO of Poonawalla Finance. Mr. Bhutada launched TAB Capital in 2015 before becoming MD & CEO at Poonawalla Finance.
Sanjay Miranka	CFO	Mr. Miranka is the CFO and leads the resource raising, regulatory compliance & governance, investor interactions and corporate legal functions. He has more than two and a half decades of experience across a diverse set of industries like Financial Services, Edible Commodities and Telecom. Prior to joining PFL, he was associated with Aditya Birla Finance for close to 18 years, in various capacities such as Head of Capital Market Lending Business and later as the CFO.
Manish Chaudhari	Head of Retail Assets	Mr. Chaudhari has over 20 years of experience of managing various retail assets in various lending functions. He has worked in a number of leading organizations like ICICI Bank, Standard Chartered Bank, GE, Cholamandalam, Reliance and Magma. He has also been an entrepreneur as co-founder of CoinTribe (an online lending SME marketplace) for 5 years. His previous role was Chief Strategy Officer at Poonawalla Finance.
Rajendra Tathare	CRO	Mr. Tathare is the CRO and spearheads the risk function. He has a rich experience of more than two and a half decades in Credit Risk and Policy function. In his past role, he was 'Head of Credit Underwriting' for all Secured and Unsecured Loan products, with Fullerton India Credit Company. Earlier, he has also led the policy function for unsecured loans, viz. personal loans, business loans and Digital Loans.
Kandarp Kant	CTO	Mr. Kant is an experienced professional with 23 years of experience in the lending industry. He has played multitude roles in the NBFC business and has rich experience in technology implementation with marquee companies like Sundaram Finance, Polaris Software Labs, Citi and Oracle. In his previous role, he was Chief Technology Officer of Poonawalla Finance.
Atul Garg	CIO	Atul Garg holds the position of the Chief Information Officer (CIO) and plays an integral role in developing and leveraging Information Technology applications to augment the digital transformation goals of the organization. He has two decades of experience. He was instrumental in setting up and scaling up the system for consumer durables financing at HDFC Bank, and designing & managing end-to-end projects across banks and NBFCs.
Mahender Bagrodia	Head - Collections	Mr. Bagrodia is a fellow member of the Institute of Chartered Accountants of India (ICAI). Over the past 16 years in Magma, he has been instrumental in developing the Company's operations across India. Currently, his role involves collections management.
Hiren Shah	Head – Strategy, BIU & IR	Mr. Shah heads the IR department, capital markets fund raising and M&A. He has over 23 years of experience in the field of Strategic Finance & Investor Relations; Capital Markets; M&A; Corporate Strategy. Prior to joining Poonawalla Fincorp, he was Head Investor Relations at Bandhan Bank, and was the key member to spearhead the successful IPO followed by the merger of Bandhan Bank and Gruh Finance. He was CFO & Head IR at Ujjivan Financial Services, spearheading its IPO, and worked on key strategic initiative of its conversion to a Small Finance Bank.

Source: Company, Emkay Research

Poonawalla Fincorp: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	14,586	18,169	28,738	40,349	56,651
Interest Expense	5,093	5,953	8,336	11,854	18,227
Net interest income	9,493	12,217	20,403	28,494	38,423
NII growth (%)	7.6	28.7	67.0	39.7	34.8
Non-interest income	1,086	1,931	2,711	3,752	5,099
Total income	10,579	14,148	23,114	32,247	43,523
Operating expenses	6,046	8,031	8,597	10,922	13,965
PPOP	4,532	6,117	14,517	21,325	29,558
PPOP growth (%)	(17.0)	35.0	137.3	46.9	38.6
Provisions & contingencies	686	(1,337)	1,749	4,198	6,324
PBT	3,846	7,453	12,768	17,127	23,234
Extraordinary items	0	212	23,280	0	0
Tax expense	914	1,816	3,281	4,402	5,971
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,933	5,849	32,767	12,725	17,263
PAT growth (%)	(150.7)	92.2	68.3	34.1	35.7
Adjusted PAT	2,933	5,637	9,487	12,725	17,263
Diluted EPS (Rs)	3.8	7.6	12.4	16.6	22.5
Diluted EPS growth (%)	NA	99.3	61.7	34.1	35.37
DPS (Rs)	0.4	2.0	1.9	2.5	3.4
Dividend payout (%)	10.4	26.3	15.0	15.0	15.0
Effective tax rate (%)	23.8	24.4	25.7	25.7	25.7
Net interest margins (%)	8.7	8.8	10.9	11.1	10.7
Cost-income ratio (%)	57.2	56.8	37.2	33.9	32.1
PAT/PPOP (%)	64.7	92.2	65.4	59.7	58.4
Shares outstanding (mn)	764.9	768.0	768.0	768.0	768.0

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,530	1,536	1,536	1,536	1,536
Reserves & surplus	55,615	62,711	94,055	1,04,871	1,19,545
Net worth	57,145	64,247	95,591	1,06,407	1,21,081
Borrowings	67,258	1,11,196	1,27,934	2,07,338	3,08,179
Other liabilities & prov.	3,693	4,775	5,730	6,877	8,252
Total liabilities & equity	1,28,097	1,80,218	2,29,255	3,20,622	4,37,512
Net loans	1,06,784	1,52,295	2,08,675	2,94,636	4,08,449
Investments	8,197	3,109	0	0	0
Cash, other balances	5,372	6,574	9,031	12,705	13,789
Interest earning assets	1,20,352	1,61,978	2,17,706	3,07,340	4,22,238
Fixed assets	1,748	2,117	2,434	2,800	3,220
Other assets	5,996	16,123	9,115	10,482	12,055
Total assets	1,28,097	1,80,218	2,29,255	3,20,622	4,37,512
BVPS (Rs)	74.7	83.7	124.5	138.6	157.7
Adj. BVPS (INR)	74.7	83.7	124.5	138.6	157.7
Gross loans	1,12,727	1,61,430	2,13,224	3,00,490	4,16,458
Total AUM	1,15,190	1,61,430	2,13,224	3,00,490	4,16,458
On balance sheet	1,12,727	1,58,967	2,13,224	3,00,490	4,16,458
Off balance sheet	2,463	2,463	0	0	0
Disbursements	75,230	1,57,510	2,05,680	2,77,740	3,50,953
Disbursements growth (%)	209.7	109.4	30.6	35.0	26.4
Loan growth (%)	24.7	42.6	37.0	41.2	38.6
AUM growth (%)	12.4	40.1	32.1	40.9	38.6
Borrowings growth (%)	(15.0)	65.3	15.1	62.1	48.6
Book value growth (%)	3.7	12.0	48.8	11.3	13.8

Source: Company, Emkay Research

Asset quality and other metrics

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Asset quality					
GNPL - Stage 3	3,720	2,250	2,784	4,427	7,254
NNPL - Stage 3	1,440	1,210	1,392	2,125	3,337
GNPL ratio - Stage 3 (%)	3.3	1.4	1.3	1.5	1.7
NNPL ratio - Stage 3 (%)	1.3	0.8	0.7	0.7	0.8
ECL coverage - Stage 3 (%)	61.3	46.2	50.0	52.0	54.0
ECL coverage - 1 & 2 (%)	3.3	1.4	1.5	1.2	1.0
Gross slippage - Stage 3	NA	NA	NA	NA	NA
Gross slippage ratio (%)	NA	NA	NA	NA	NA
Write-off ratio (%)	5.4	3.7	2.6	1.9	1.4
Total credit costs (%)	0.6	(1.0)	0.9	1.6	1.8
NNPA to networth (%)	2.5	1.9	1.5	2.0	2.8
Capital adequacy					
Total CAR (%)	49.1	39.0	NA	NA	NA
Tier-1 (%)	46.6	NA	NA	NA	NA
NA					
Total income growth (%)	5.5	33.7	63.4	39.5	35.0
Opex growth (%)	32.5	32.8	7.0	27.0	27.9
PPOP margin (%)	4.2	4.4	7.7	8.3	8.2
Credit costs-to-PPOP (%)	15.1	(21.9)	12.0	19.7	21.4
Loan-to-Assets (%)	83.4	84.5	91.0	91.9	93.4
Yield on loans (%)	14.9	14.9	15.7	15.8	15.9
Cost of funds (%)	7.0	6.7	7.0	7.1	7.1
Spread (%)	8.0	7.4	8.7	8.7	8.8

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	90.0	45.1	27.9	20.8	15.3
P/B (x)	4.6	4.1	2.8	2.5	2.2
P/ABV (x)	4.6	4.1	2.8	2.5	2.2
P/PPOP (x)	7.6	5.6	2.4	1.6	1.2
Dividend yield (%)	0.1	0.6	0.5	0.7	1.0
DuPont-RoE split (%)					
NII/avg AUM	8.7	8.8	10.9	11.1	10.7
Other income	1.0	1.2	1.4	1.5	1.4
Securitization income	0.0	0.0	0.0	0.0	0.0
Opex	1.8	2.1	2.1	2.0	2.0
Employee expense	3.8	3.7	2.5	2.2	1.9
PPOP	4.2	4.4	7.7	8.3	8.2
Provisions	0.6	(1.0)	0.9	1.6	1.8
Tax expense	0.8	1.3	1.8	1.7	1.7
RoAUM (%)	2.7	4.1	5.1	5.0	4.8
Leverage ratio (x)	2.8	2.3	2.3	2.5	3.2
RoE (%)	7.7	9.3	11.9	12.6	15.2

Quarterly data

Rs mn, Y/E Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
NII	2,498	2,670	2,738	3,012	3,798
NIM (%)	8.8	8.8	8.5	8.9	10.1
PPOP	1,152	1,178	1,257	1,558	2,116
PAT	891	1,237	1,302	1,504	1,807
EPS (Rs)	1.17	1.62	1.70	1.97	2.36

Source: Company, Emkay Research

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