

27 April 2025

India | Equity Research | Results update

**Poonawalla Fincorp**

NBFCs

**Sequential improvement in credit cost, but higher opex weighs on profitability**

Poonawalla Fincorp (Poonawalla) reported mixed Q4FY25 earnings with PAT at INR 0.6bn or 76bps RoA, wherein opex continued to be elevated. However, there was some respite on credit cost front with sequential decline. AUM growth continued to be robust with 15% QoQ and ended the year with 43%. Post Mr. Arvind Kapil taking over as MD & CEO in Jun'24, Poonawalla had made accelerated provisions towards the erstwhile STPL portfolio in Q2, post which credit cost has been improving QoQ. Moreover, Poonawalla has launched 6 new businesses, of which 5 were launched in the past 2 months. Continued investments in new businesses, footprint expansion and investments in tech may keep opex elevated for the next two quarters as well, post which some respite could be seen in H2FY26.

We believe AUM growth is likely to be 30-35% (conservative vs management guidance of 35-40%) for FY26E as well as FY27E and RoA could improve to 1.5-2% from negative in FY25. In absolute terms, PAT is likely to be at INR 7bn for FY26E and could almost double in FY27E on the back of improving operating performance. Moreover, RoE is estimated at 8%/14% for FY26/27E. However, we would like to monitor the performance on credit cost front in this high growth phase. We, therefore, upgrade our rating to **HOLD** (Reduce earlier) with a revised TP of INR 360 (INR 265 earlier), valuing the stock at 2.8x FY27E (5-year average for 1-year forward P/B) as we roll over to FY27E vs 2.1x FY26E earlier.

**Q4FY25 performance: PAT of INR 0.6bn or RoA at 76bps**

Poonawalla reported PAT of INR 0.6bn or 76bps RoA, wherein annualised credit cost saw sequential improvement to ~3% vs ~5% in Q3FY25 and ~13% in Q2FY25. However, Poonawalla launched three new businesses till FY25-end, of which two were launched in Mar'25. Hence, opex to AUM was elevated at 4.8% v 4.2% QoQ. AUM growth was quite robust at 15% QoQ/43% YoY, but NII growth was relatively slow at 6% QoQ/12% YoY, due to shift in loan mix towards secured.

On asset quality front, stage-2 improved ~70bps QoQ to 1.9%, while stage-3 was largely flat at 1.8%. However, coverage ratio has fallen on stage-1 & 2 to 1.9% vs 2.8% QoQ, but still remains healthy and coverage on stage-3 came in at 54% vs 57% QoQ.

**Financial Summary**

| Y/E March (INR mn)  | FY24A  | FY25A   | FY26E   | FY27E  |
|---------------------|--------|---------|---------|--------|
| Net Interest Income | 19,493 | 23,594  | 30,505  | 40,707 |
| PAT                 | 8,350  | (983)   | 7,103   | 13,248 |
| EPS (INR)           | 10.8   | (1.3)   | 9.2     | 17.1   |
| % Chg YoY           | 48.0   | (111.7) | (822.3) | 86.5   |
| P/E (x)             | 35.1   | (299.0) | 41.4    | 22.2   |
| P/BV (x)            | 3.6    | 3.6     | 3.3     | 2.9    |
| Gross Stage - 3 (%) | 1.2    | 1.8     | 2.2     | 2.6    |
| RoA (%)             | 4.0    | (0.3)   | 1.7     | 2.4    |
| RoE (%)             | 11.4   | (1.2)   | 8.3     | 13.9   |

**Chintan Shah**

chintan.shah@icicisecurities.com  
+91 22 6807 7658

**Renish Bhuvu**

renish.bhuva@icicisecurities.com

**Market Data**

|                     |             |
|---------------------|-------------|
| Market Cap (INR)    | 296bn       |
| Market Cap (USD)    | 3,465mn     |
| Bloomberg Code      | POONAWAL IN |
| Reuters Code        | POON BO     |
| 52-week Range (INR) | 509 /267    |
| Free Float (%)      | 37.0        |
| ADTV-3M (mn) (USD)  | 8.9         |

| Price Performance (%) | 3m   | 6m   | 12m    |
|-----------------------|------|------|--------|
| Absolute              | 20.0 | 28.1 | (22.8) |
| Relative to Sensex    | 16.0 | 28.3 | (29.4) |

| ESG Score   | 2023 | 2024 | Change |
|-------------|------|------|--------|
| ESG score   | 71.7 | 74.7 | 3.0    |
| Environment | 45.1 | 55.0 | 9.9    |
| Social      | 71.8 | 77.2 | 5.4    |
| Governance  | 80.7 | 79.9 | (0.8)  |

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

| Earnings Revisions (%) | FY26E | FY27E |
|------------------------|-------|-------|
| PAT                    | (38)  | (14)  |

**Previous Reports**

01-02-2025: [Q3FY25 results review](#)

28-10-2024: [Q2FY25 results review](#)

### Building blocks for future; 2 new products launched in Mar'25 and another 3 launched in Apr'25

Poonawalla had strong AUM growth of 15% QoQ / 43% YoY to reach >INR 350bn. In terms of its AUM mix, contribution from MSME was 36% followed by personal and consumer finance at 23%, LAP and pre-owned cars at 24% and 14%, respectively. Secured share in overall portfolio stood at 57%.

It has a multi-pronged strategy, wherein it is looking to diversify its portfolio for >10 products and with a blend of secured as well as unsecured products under its arena. In terms of new business launches, it launched PL prime in Aug'24 followed by education loans and CV loans in Mar'25 and latest being consumer durables, shopkeeper loans and gold loans in Apr'25. Overall, company continues with its guidance of ~5x over the next five years with multi-product strategy,

Given the company's endeavour of rapid expansion in AUM, it would happen only with contraction in yields as it shifts its focus towards diversification and more secured products. Moreover, as debt to equity ratio widens with passage of time, we believe margins could contract by 40–50bps in the next two years.

### Opex likely to be elevated in H1FY26; may cool off in H2FY26

Opex is likely to remain high over the next two quarters as well, before it starts to taper off in the last two quarters of FY26. This is largely on account of recent launch of new businesses which will require initial investments. Also, Poonawalla is planning to add 400 new gold loan branches in FY26, which will require front loading of cost and headcount, before it is able to reap their benefits.

From current branch count of ~110, it is looking to reach ~500 by FY26-end and ~900 by FY27-end. These would span across states like Gujarat, Maharashtra, Rajasthan and Haryana, predominantly where Poonawalla envisages immense growth potential. Moreover, the idea behind expansion is to build strategic hubs in tier 2 and 3 cities. These branches will be more than just gold loan centres, wherein they will function as multi-product distribution points, helping the company to increase its penetration in secured lending. However, this will entail sizeable opex and continued investments in AI, digital journeys and related-tech platforms will keep opex to AUM elevated.

### Improving credit cost trajectory which stood at ~3% vs ~5% QoQ

Its erstwhile STPL portfolio, which was 21% of portfolio as of Sep'24, fell to 15% as of Dec'24 and 8% as of FY25-end. Moreover, ~80% of the residual STPL book is 0 dpd and management does not expect any higher stress from this book. Moreover, write-off from STPL for Q4 was INR 1.4bn vs INR 5.2bn QoQ and overall credit cost from STPL book was INR 1.4bn vs INR 2.0bn QoQ. Overall, asset quality trends in STPL book have improved sequentially, while portfolio has also seen a sharp decline during the same period, which augurs well for overall asset quality trends. Its dynamic recalibration in STPL portfolio has helped it improve through the door quality and see a substantial improvement in early delinquency. Moreover, on tech front, it has launched an AI-powered credit decisioning framework, which will combine artificial and human intelligence to automate the credit evaluation process.

### Key risks

- **Upside risk:** AUM growth higher than anticipated without any hiccups with respect to margins or asset quality, leading to RoA of 3-4% on sustainable basis.
- **Downside risk:** Steep rise in stage-2 and stage-3 and the resultant rise in credit, thereby, impacting return ratios.

## Q4FY25 earnings conference call takeaways

### Opex

- Opex to average AUM stood at 4.8%.
- **Opex will show an increase in H1FY26; however, by Q4FY26, management expects opex (as a % of AUM) to stabilise at prudent levels, reflecting operational efficiencies and scalability.**
- 400 gold loan branches likely to be added in FY26.
- **3-3.5% RoA target in 3 years from the day Arvind Kapil joined in Jun'24.**

### Q4FY25 performance

- **Operating profit was lower due to investment in new businesses and skew to secured book.**
- Credit cost fell QoQ from INR 3.48bn to INR 2.53bn, down 27%.

### Artificial Intelligence (AI)

- **Building EWS which will analyse input variable from employees and be able to predict employee attrition. This is likely to be implemented in Q2FY26.**
- AI tools would be implemented in operations by Q2FY26.
- **Many AI tools are likely to be live by Q2FY26.**
- **Analytics and AI are clearly emerging as key strengths, which will play a big role in all the models which the company is creating and building for future.**
- **These future-ready initiatives will lead to improving operating efficiency and productivity along with scalability.**
- It is banking big on AI, data-driven approach and leveraging technology to grow business.
- This can be a game changer over the next 3-4 quarters.
- It is investing in a full suite of marketing technology.
- The idea is to create robust, scalable marketing driven ecosystem.

### Asset quality

- **In the past 6 months, it has improved CE by 9-10%, in one of the toughest product lines.**
- Collection team has fully adopted technology.
- In the final stage of adopting industry first tech for allocation systems.
- **W/off for FY25 at INR 13.48bn.**
- **W/off in Q4 meaningfully lower as compared to Q2 and Q3.**
- Credit cost is likely to be on an improving trajectory.

### STPL portfolio

- ~80% of residual STPL book is now 0 dpds.
- **Does not expect any increased higher credit cost from the erstwhile STPL portfolio.**
- INR 1.41bn w/off in Q4 for erstwhile STPL.

### Borrowings

- Robust liability franchise is critical for growth as well as profitability.
- Already achieved diversification cross instruments.
- Looking to raise long-term NCDs over the next 3-5 years.
- Priority would be biased towards long-term funds.
- **70% of borrowings are on variable rate.**

### AUM

- Secured AUM now stands at 57% vs 49% YoY of total loan book.
- Launched 6 new businesses during FY25 – PL prime, education loans, CVs, etc.

### Capital

- **Could look to raise capital early next year.**

## Q3FY25 Earnings Conference Call Takeaways

### Return ratios

- **Expect RoA would be broadly in the range of 3-3.5% by the time third year ends**
- All new business have RoA in the range of 3.5% - 4.5%
- Expect very robust profitability in FY26 and FY27
- Idea is to create sustainable profit, which will sustain for years to come
- It is building 11 business and hence
- Debt/Equity at 2.65x

### Asset quality

- **Credit cost in % terms will keep coming down on QoQ basis**
- Dynamic recalibration of STPL has helped seen substantial improvement in early delinquencies by 50%
- **Write-offs for the quarter at INR 6.76bn, spread across various products.** Of this, write-off from old book was INR 5.2bn.
- Out of the total provisions, INR 2bn is towards STPL
- Collection team continues its relentless focus on recoveries. **There is 380bps resolution in bounce rates for Q3 vs. Q2**
- CE has improved from December onwards and there is a steep improvement in Dec'24 vs. Nov'24
- It is well calibrated on STPL book now

### AUM

- AUM up 9% QoQ and 41% YoY, led by high product mix, despite STPL book being down 9% QoQ
- Secured mix now at 54% and unsecured at 46%
- Core retail disbursements has doubled YoY to INR 47.05bn vs. INR 24.91bn YoY
- **Philosophy is to keep a balanced mix of secured and unsecured**
- LAP
  - LAP portfolio at INR 67.95bn, up 86% YoY and 27% QoQ
  - 51% LTV for incremental LAP growth
- Business loans
  - Up 42% YoY and 13% QoQ at INR 50.03bn
  - Vintage business with healthy and robust cashflow

- 30-35% growth for FY25 and 30-40% thereafter
- Satisfied with calibration of the incremental book which it is building
- **Remain firmly on track to deliver on AUM growth guidance**
- **AUM growth is likely to be notch higher**
- **Remain focused on building 10-11 business blocks**
- Mostly trending towards much more building blocks from hereon

#### Operating expenses

- Planning phase wise launch of 400 new branches, beginning from Q1FY26
- Investments in building business would keep opex elevated for the next 4 quarters
- Planning to launch industry first digital PL in Q4FY25. This will redefine personal lending more digital and accessible 24\*7 for prime salaried borrowers, who are working for top corporates. This will also give a great boost to its website acquisition strategy.
- 263 new branches identified across 4 states and 75% leadership already hired
- Shopkeeper loans - 100 locations identified in phase1 and 50% salesforce is being hired
- **All new products would be launched in Q1FY26 in phase1**

#### Staff strength

- 95% of leadership has been on-boarded
- Leadership foundation of the organisation has been completed
- Across organisation, it is bringing in scalability and
- Strength of organisation is also in its distribution team
- 90% of hiring agents benefit from AI

#### AI and Tech strategy

- Attempting to be AI First in many business models
- It has now placed out detailed AI strategy
- On AI-first approach, 6 projects across functions are underway

#### Borrowings

- Cost of borrowings at 8.06%, down 4bps QoQ
- INR 213.38bn borrowings, with 65% of them being on variable rate

**Exhibit 1: Q4FY25 result review – income statement**

| Income Statement (INR mn)             | Q4FY24       | Q3FY25       | Q4FY25       | YoY %      | QoQ %      |
|---------------------------------------|--------------|--------------|--------------|------------|------------|
| Interest Income                       | 8,436        | 9,991        | 10,685       | 27         | 7          |
| Interest Expense                      | 2,811        | 3,850        | 4,584        | 63         | 19         |
| <b>Net Interest Income</b>            | <b>5,625</b> | <b>6,141</b> | <b>6,101</b> | <b>8</b>   | <b>-1</b>  |
| Non-interest income                   | 714          | 579          | 705          | -1         | 22         |
| <b>Total Operating Income</b>         | <b>6,339</b> | <b>6,720</b> | <b>6,805</b> | <b>7</b>   | <b>1</b>   |
| Other Income                          | 67           | 1            | 70           | 5          | 4,929      |
| <b>Net Total Income</b>               | <b>6,407</b> | <b>6,722</b> | <b>6,876</b> | <b>7</b>   | <b>2</b>   |
| Employee expenses                     | 1,171        | 1,485        | 1,734        | 48         | 17         |
| Non employee cost                     | 1,142        | 1,507        | 1,813        | 59         | 20         |
| <b>Total operating expenses</b>       | <b>2,313</b> | <b>2,991</b> | <b>3,548</b> | <b>53</b>  | <b>19</b>  |
| <b>Pre-provision operating profit</b> | <b>4,094</b> | <b>3,731</b> | <b>3,328</b> | <b>-19</b> | <b>-11</b> |
| Credit cost                           | 239          | 3,479        | 2,526        | 955        | -27        |
| <b>Profit before tax</b>              | <b>3,855</b> | <b>252</b>   | <b>802</b>   | <b>-79</b> | <b>219</b> |
| Tax                                   | 538          | 65           | 179          | -67        | 177        |
| <b>Profit after tax</b>               | <b>3,317</b> | <b>187</b>   | <b>623</b>   | <b>-81</b> | <b>233</b> |
| <b>EPS</b>                            | <b>4.31</b>  | <b>0.24</b>  | <b>0.81</b>  | <b>-81</b> | <b>238</b> |

Source: I-Sec research, Company data

**Exhibit 2: Q4FY25 result review – balance sheet**

| Balance Sheet (INR mn)   | Q4FY24          | Q3FY25          | Q4FY25          | YoY %     | QoQ %     |
|--------------------------|-----------------|-----------------|-----------------|-----------|-----------|
| Cash and Bank balance    | 2,680           | 1,140           | 320             | (88)      | (72)      |
| Receivables              | 290             | 300             | 190             | (34)      | (37)      |
| <b>Loans</b>             | <b>2,20,460</b> | <b>2,79,620</b> | <b>3,26,950</b> | <b>48</b> | <b>17</b> |
| Investments              | 8,780           | 12,300          | 13,410          | 53        | 9         |
| Other financial assets   | 2,590           | 1,990           | 1,850           | (29)      | (7)       |
| Non financial assets     | 5,560           | 6,970           | 7,070           | 27        | 1         |
| <b>Total Assets</b>      | <b>2,40,360</b> | <b>3,02,320</b> | <b>3,49,790</b> | <b>46</b> | <b>16</b> |
| Share capital            | 1,540           | 1,550           | 1,550           | 1         | -         |
| Reserves and surplus     | 79,620          | 79,010          | 79,690          | 0         | 1         |
| <b>Networth</b>          | <b>81,160</b>   | <b>80,560</b>   | <b>81,240</b>   | <b>0</b>  | <b>1</b>  |
| Borrowings               | 1,50,800        | 2,13,380        | 2,58,810        | 72        | 21        |
| Other liabilities        | 8,400           | 8,380           | 9,740           | 16        | 16        |
| <b>Total Liabilities</b> | <b>2,40,360</b> | <b>3,02,320</b> | <b>3,49,790</b> | <b>46</b> | <b>16</b> |

Source: Company data, I-Sec research

**Exhibit 3: Q4FY25 result review – key financial metrics**

| Key ratios and metrics           | Q4FY24          | Q3FY25          | Q4FY25          | YoY %     | QoQ %     |
|----------------------------------|-----------------|-----------------|-----------------|-----------|-----------|
| <b>AUM (INR mn)</b>              | <b>2,50,030</b> | <b>3,09,840</b> | <b>3,56,310</b> | <b>43</b> | <b>15</b> |
| RoA (%)                          | 5.9             | 0.3             | 0.8             | -510 bps  | 50 bps    |
| RoE (%)                          | 16.4            | 0.9             | 3.1             | -1331 bps | 215 bps   |
| Calc. credit cost (% of avg AUM) | 0.4             | 4.7             | 3.0             | 262 bps   | -166 bps  |
| CRAR (%)                         | 33.8            | 25.9            | 22.9            | -1086 bps | -295 bps  |
| Cost of borrowings (%)           | 8.2             | 8.1             | 8.1             | -10 bps   | 0 bps     |
| Calculated NIM on loans (%)      | 10.9            | 9.3             | 8.0             | -281 bps  | -130 bps  |

| Asset quality          | Q4FY24 | Q3FY25 | Q4FY25 | YoY %   | QoQ %    |
|------------------------|--------|--------|--------|---------|----------|
| Gross Stage 3 (INR mn) | 2,680  | 5,390  | 6,190  | 131     | 15       |
| Net Stage 3 (INR mn)   | 1,360  | 2,330  | 2,820  | 107     | 21       |
| Provisions (INR mn)    | 1,320  | 3,060  | 3,370  | 155     | 10       |
| GS3 (%)                | 1.16   | 1.85   | 1.84   | 68 bps  | -1 bps   |
| NS3 (%)                | 0.59   | 0.81   | 0.85   | 26 bps  | 3 bps    |
| PCR (%)                | 49     | 57     | 54     | 518 bps | -233 bps |

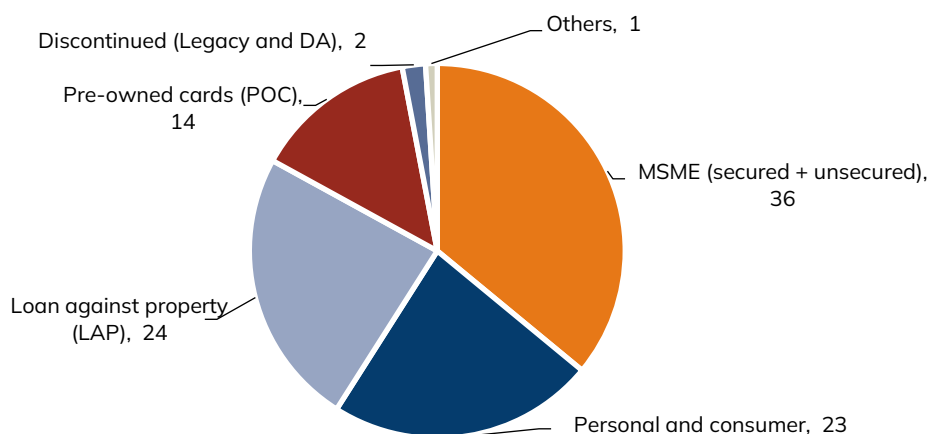
Source: Company data, I-Sec research



**Exhibit 4: Improvement in stage-2 as well as stage-3**

|                                   | Q4FY24          | Q1FY25          | Q2FY25          | Q3FY25          | Q4FY25          |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Stage-wise assets (INR mn)</b> |                 |                 |                 |                 |                 |
| Stage 1                           | 2,22,040        | 2,39,030        | 2,47,710        | 2,78,110        | 3,24,170        |
| Stage 2                           | 6,150           | 7,130           | 7,640           | 7,480           | 6,240           |
| Stage 3                           | 2,680           | 1,660           | 5,470           | 5,390           | 6,190           |
| <b>Total</b>                      | <b>2,30,870</b> | <b>2,47,820</b> | <b>2,60,820</b> | <b>2,90,980</b> | <b>3,36,600</b> |
| <b>Stage-wise assets (%)</b>      |                 |                 |                 |                 |                 |
| Stage 1                           | 96.18           | 96.45           | 94.97           | 95.58           | 96.31           |
| Stage 2                           | 2.66            | 2.88            | 2.93            | 2.57            | 1.85            |
| Stage 3                           | 1.16            | 0.67            | 2.10            | 1.85            | 1.84            |
| <b>Total</b>                      | <b>100.00</b>   | <b>100.00</b>   | <b>100.00</b>   | <b>100.00</b>   | <b>100.00</b>   |
| <b>PCR (%)</b>                    |                 |                 |                 |                 |                 |
| Stage 1                           | 3.4%            | 2.0%            | 2.8%            | 2.1%            | 1.4%            |
| Stage 2                           | 19.3%           | 14.4%           | 34.3%           | 30.4%           | 27.3%           |
| Stage 1 and 2                     | 3.9%            | 2.3%            | 3.7%            | 2.8%            | 1.9%            |
| Stage 3                           | 49.4%           | 52.5%           | 84.5%           | 56.8%           | 54.4%           |
| Gross Stage 3 (%)                 | 1.16%           | 0.67%           | 2.10%           | 1.85%           | 1.84%           |
| Net Stage 3 (%)                   | 0.59%           | 0.32%           | 0.33%           | 0.81%           | 0.85%           |

Source: Company data, I-Sec research

**Exhibit 5: Well-diversified AUM; gradually moving towards secured**

Source: Company data, I-Sec research

**Exhibit 6: Diversified product suite with a blend of secured as well as unsecured**

Source: Company data, I-Sec research

### Exhibit 7: Launched 6 new businesses so far, of which 5 were launched in Mar'25 and Apr'25

| New products launched  |   |  |   |  |   |
|--|---|--|---|--|---|
| PL Prime   | Education Loans   | CVs  | Consumer Durable  | Shopkeeper Loans   | Gold Loans  |
| <ul style="list-style-type: none"> <li>Launched industry-first PL Prime Digital 24x7 in March-2025</li> <li>Quality of customers</li> <li>Foundation for cross-selling other products</li> <li>Launched digital journeys and physical distribution platform</li> <li>For Salaried customers of top corporates</li> </ul> | <ul style="list-style-type: none"> <li>High Customer Lifetime Value</li> <li>Well-defined and use</li> <li>Cross sell opportunity to both parents and students</li> </ul> | <ul style="list-style-type: none"> <li>Secured business</li> <li>Low finance penetration in Used CVs</li> <li>Cross-sell opportunity</li> <li>Focus on Used CVs</li> </ul> | <ul style="list-style-type: none"> <li>Build large customer franchise</li> <li>Become a household brand</li> <li>Brand visibility across geographies</li> <li>Build high yielding cross-sell models</li> <li>Cross-sell opportunity for other products</li> </ul> | <ul style="list-style-type: none"> <li>Business happens at POS</li> <li>Both physical and digital models</li> <li>No incremental branch infrastructure cost</li> </ul> | <ul style="list-style-type: none"> <li>Secured business</li> <li>Geographical expansion: High potential in T2/T3 markets</li> <li>400 branches to be launched in FY26 with very strong cross-sell machine</li> <li>High RoA business</li> </ul> |
| Launch Time  | August-2024   | March-2025   |   | April-2025   |   |

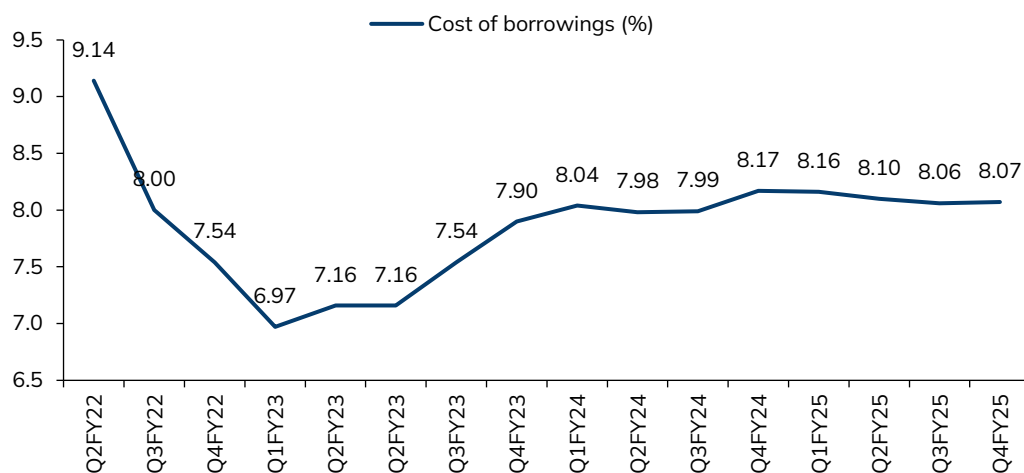
Source: Company data, I-Sec research

### Exhibit 8: Seasoned and well experienced management team

|  |   |  |   |  |  |
|--|---|--|---|--|--|
| <p><b>Mr. Arvind Kapil</b><br/>Managing Director &amp; CEO<br/><b>Education:</b> AMP-Harvard Business School, Masters program - IIM-B<br/><b>Experience:</b> HDFC Bank</p> | <p><b>Mr. Sunil Samdani</b><br/>Executive Director<br/><b>Education:</b> CA, EDP from ISB<br/><b>Experience:</b> Bandhan Bank</p> | <p><b>Mr. Sanjay Miranka</b><br/>Chief Financial Officer<br/><b>Education:</b> CA and CS<br/><b>Experience:</b> Aditya Birla Finance</p>                               | <p><b>Mr. Shriram V. Iyer</b><br/>Chief Credit &amp; Analytics Officer<br/><b>Education:</b> MBA, MDP- IIM-A<br/><b>Experience:</b> HDFC Bank</p>                   | <p><b>Mr. Vikas Pandey</b><br/>Chief Business Officer - Consumer Business<br/><b>Education:</b> MBA<br/><b>Experience:</b> HDFC Bank</p> | <p><b>Mr. Veeraraghavan Iyer</b><br/>Chief Business Officer - Commercial Business<br/><b>Education:</b> MMS, BE<br/><b>Experience:</b> HDFC Bank</p> |
| <p><b>Mr. Harsh Kumar</b><br/>Chief Human Resources Officer<br/><b>Education:</b> MBA - HR and BE<br/><b>Experience:</b> CSB Bank, HDFC Bank</p>                           | <p><b>Mr. Bhaskar Pandey</b><br/>Chief Risk Officer<br/><b>Education:</b> MBA and MCA<br/><b>Experience:</b> HDFC Bank</p>        | <p><b>Mr. Bholananda Behera</b><br/>Chief Compliance Officer<br/><b>Education:</b> MBA HR, PG-Senior Leadership XLRI<br/><b>Experience:</b> HDFC Bank, Canara Bank</p> | <p><b>Mr. Nitin Sane</b><br/>Chief Internal Auditor<br/><b>Education:</b> PGDM in Financial Management, Masters in Criminology<br/><b>Experience:</b> Raba Bank</p> | <p><b>Mr. Salil Hajarnis</b><br/>Chief Technology Officer<br/><b>Education:</b> BE, PGDM<br/><b>Experience:</b> Fiserv, Capgemini</p>    |  |

Source: Company data, I-Sec research

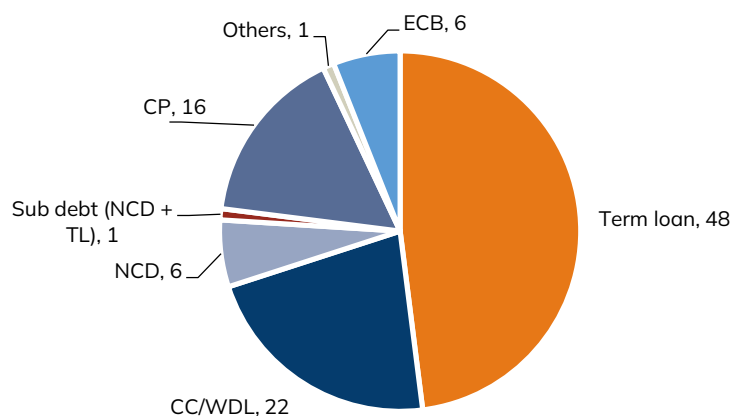
### Exhibit 9: Cost of borrowings is stabilising around current levels



Source: Company data, I-Sec research



### Exhibit 10: Well-diversified borrowing base



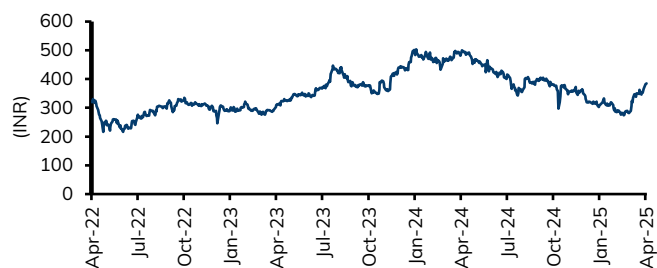
Source: Company data, I-Sec research

### Exhibit 11: Shareholding pattern

| %                       | Sep'24 | Dec'24 | Mar'25 |
|-------------------------|--------|--------|--------|
| Promoters               | 61.9   | 62.4   | 62.5   |
| Institutional investors | 18.3   | 19.0   | 19.0   |
| MFs and others          | 4.6    | 5.7    | 4.3    |
| FIs/Banks               | 1.0    | 0.1    | 1.0    |
| Insurance               | 4.9    | 5.0    | 5.8    |
| FIIIs                   | 7.8    | 8.2    | 10.0   |
| Others                  | 18.9   | 18.6   | 16.4   |

Source: Bloomberg

### Exhibit 12: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 13: Profit & Loss

(INR mn, year ending March)

|  | FY24A          | FY25A           | FY26E          | FY27E           |
|--|----------------|-----------------|----------------|-----------------|
| Interest Income                                | 28,996         | 38,745          | 53,412         | 72,175          |
| Net gain on fair value changes                 | 1,107          | 924             | 850            | 1,020           |
| Interest Expenses                              | (9,503)        | (15,151)        | (22,907)       | (31,468)        |
| <b>Net Interest Income (NII)</b>               | <b>19,493</b>  | <b>23,594</b>   | <b>30,505</b>  | <b>40,707</b>   |
| Other Income                                   | 383            | 331             | 364            | 437             |
| <b>Total Income (net of interest expenses)</b> | <b>12,467</b>  | <b>11,789</b>   | <b>10,736</b>  | <b>13,005</b>   |
| Employee benefit expenses                      | (4,444)        | (6,362)         | (8,010)        | (8,410)         |
| Depreciation and amortization                  | (593)          | (651)           | (689)          | (689)           |
| Other operating expenses                       | (3,036)        | (5,755)         | (6,619)        | (5,295)         |
| Total Operating Expense                        | (8,074)        | (12,769)        | (15,317)       | (14,394)        |
| <b>Pre Provisioning Profits (PPoP)</b>         | <b>13,897</b>  | <b>14,172</b>   | <b>18,326</b>  | <b>30,079</b>   |
| <b>Provisions and write offs</b>               | <b>(720)</b>   | <b>(15,526)</b> | <b>(8,546)</b> | <b>(11,838)</b> |
| Profit before tax (PBT)                        | 13,177         | (1,354)         | 9,780          | 18,241          |
| <b>Total tax expenses</b>                      | <b>(4,827)</b> | <b>371</b>      | <b>(2,677)</b> | <b>(4,993)</b>  |
| Profit after tax (PAT)                         | 8,350          | (983)           | 7,103          | 13,248          |

Source Company data, I-Sec research

### Exhibit 14: Balance sheet

(INR mn, year ending March)

|  | FY24A           | FY25A           | FY26E           | FY27E           |
|--|-----------------|-----------------|-----------------|-----------------|
| Share capital                              | 1,541           | 1,546           | 1,546           | 1,546           |
| Reserves & surplus                         | 80,130          | 80,201          | 87,304          | 1,00,552        |
| <b>Shareholders' funds</b>                 | <b>81,671</b>   | <b>81,747</b>   | <b>88,850</b>   | <b>1,02,098</b> |
| <b>Borrowings</b>                          | <b>1,52,157</b> | <b>2,60,812</b> | <b>3,72,191</b> | <b>5,22,091</b> |
| Provisions & Other Liabilities             | 7,041           | 7,740           | 11,611          | 17,416          |
| Total Liabilities and Stakeholder's Equity | 2,40,869        | 3,50,299        | 4,72,651        | 6,41,605        |
| Cash and balance with RBI                  | 2,685           | 323             | 969             | 2,906           |
| <b>Fixed assets</b>                        | <b>1,944</b>    | <b>2,542</b>    | <b>2,923</b>    | <b>3,361</b>    |
| Loans                                      | 2,20,464        | 3,26,950        | 4,44,029        | 6,05,358        |
| Investments                                | 8,783           | 13,416          | 16,955          | 21,426          |
| <b>Other Assets</b>                        | <b>6,992</b>    | <b>7,069</b>    | <b>7,776</b>    | <b>8,553</b>    |
| Total Assets                               | 2,40,869        | 3,50,299        | 4,72,651        | 6,41,605        |

Source Company data, I-Sec research

## Exhibit 15: Key Ratios

(Year ending March)

|   | FY24A       | FY25A       | FY26E       | FY27E       |
|---|-------------|-------------|-------------|-------------|
| <b>AUM and Disbursements (INR mn)</b>         |             |             |             |             |
| AUM   | 2,50,030    | 3,56,310    | 4,75,619    | 6,38,091    |
| On-book Loans                                 | 2,20,464    | 3,26,950    | 4,44,029    | 6,05,358    |
| Off-book Loans                                | 29,566      | 29,360      | 31,589      | 32,733      |
| Disbursements                                 | 3,32,890    | 3,99,468    | 4,95,340    | 6,14,222    |
| Repayments                                    | 2,44,290    | 2,93,188    | 3,76,032    | 4,51,750    |
| Growth (%):                                   |             |             |             |             |
| <b>Total AUM (%)</b>                          | <b>54.9</b> | <b>42.5</b> | <b>33.5</b> | <b>34.2</b> |
| Disbursements (%)                             | 111.3       | 20.0        | 24.0        | 24.0        |
| Repayments (%)                                | 114.8       | 20.0        | 28.3        | 20.1        |
| Loan book (on balance sheet) (%)              | 44.8        | 48.3        | 35.8        | 36.3        |
| Total Assets (%)                              | 33.7        | 45.4        | 34.9        | 35.7        |
| Net Interest Income (NII) (%)                 | 61.0        | 21.0        | 29.3        | 33.4        |
| Non-interest income (%)                       | (18.5)      | 76.7        | (5.5)       | 20.0        |
| Total Income (net of interest expenses) (%)   | 52.5        | (5.4)       | (8.9)       | 21.1        |
| Operating Expenses (%)                        | (0.8)       | 58.2        | 20.0        | (6.0)       |
| Employee Cost (%)                             | (13.7)      | 43.2        | 25.9        | 5.0         |
| Pre provisioning operating profits (PPoP) (%) | 132.0       | 2.0         | 29.3        | 64.1        |
| Provisions (%)                                | (149.8)     | 2,055.8     | (45.0)      | 38.5        |
| PBT (%)                                       | 77.2        | (110.3)     | (822.3)     | 86.5        |
| PAT (%)                                       | 48.5        | (111.8)     | (822.3)     | 86.5        |
| EPS (%)                                       | 48.0        | (111.7)     | (822.3)     | 86.5        |
| <b>Yields, interest costs and spreads (%)</b> |             |             |             |             |
| NIM on loan assets (%)                        | 8.8         | 7.2         | 6.9         | 6.7         |
| NIM on IEA (%)                                | 9.3         | 7.7         | 7.3         | 7.3         |
| <b>NIM on AUM (%)</b>                         | <b>9.5</b>  | <b>7.8</b>  | <b>7.3</b>  | <b>7.3</b>  |
| Yield on loan assets (%)                      | 13.2        | 11.9        | 12.0        | 11.9        |
| Yield on IEA (%)                              | 13.8        | 12.7        | 12.8        | 12.9        |
| Yield on AUM (%)                              | 14.1        | 12.8        | 12.8        | 13.0        |
| Cost of borrowings (%)                        | 7.2         | 7.3         | 7.2         | 7.0         |
| Interest Spreads (%)                          | 6.0         | 4.5         | 4.8         | 4.9         |
| <b>Operating efficiencies</b>                 |             |             |             |             |
| Non interest income as % of total income      | 0.9         | 0.9         | 0.9         | 0.9         |
| Cost to income ratio                          | 36.7        | 47.4        | 45.5        | 32.4        |
| <b>Op.costs/avg assets (%)</b>                | <b>3.8</b>  | <b>4.3</b>  | <b>3.7</b>  | <b>2.6</b>  |
| Op.costs/avg AUM (%)                          | 3.9         | 4.2         | 3.7         | 2.6         |
| No of branches (x)                            | 102         | 110         | 510         | 910         |
| Salaries as % of non-interest costs (%)       | 55.0        | 49.8        | 52.3        | 58.4        |
| AUM/ branch (INR mn)                          | 2,451.3     | 3,239.2     | 932.6       | 701.2       |
| <b>Capital Structure</b>                      |             |             |             |             |
| Average gearing ratio (x)                     | 1.9         | 3.2         | 4.2         | 5.1         |
| Leverage (x)                                  | 3.1         | 4.4         | 5.4         | 6.2         |
| CAR (%)                                       | 33.9        | 24.3        | 20.8        | 19.0        |
| Tier 1 CAR (%)                                | 32.4        | 22.5        | 18.9        | 17.1        |
| Tier 2 CAR (%)                                | 1.5         | 1.8         | 1.9         | 1.9         |

Source Company data, I-Sec research

|  | FY24A | FY25A   | FY26E  | FY27E  |
|--|-------|---------|--------|--------|
| <b>Asset quality and provisioning</b>          |       |         |        |        |
| GNPA (%)                                       | 1.2   | 1.8     | 2.2    | 2.6    |
| NNPA (%)                                       | 0.6   | 0.9     | 1.1    | 1.3    |
| GNPA (INR mn)                                  | 2,680 | 6,190   | 10,131 | 16,648 |
| NNPA (INR mn)                                  | 1,360 | 2,820   | 4,717  | 7,751  |
| Coverage ratio (%)                             | 46.8  | 53.1    | 51.9   | 51.7   |
| Credit Costs as a % of avg AUM (bps)           | 35    | 512     | 205    | 213    |
| Credit Costs as a % of avg on book loans (bps) | 39    | 567     | 222    | 226    |
| <b>Return ratios</b>                           |       |         |        |        |
| RoAA (%)                                       | 4.0   | (0.3)   | 1.7    | 2.4    |
| RoAE (%)                                       | 11.4  | (1.2)   | 8.3    | 13.9   |
| ROAAUM (%)                                     | 4.1   | (0.3)   | 1.7    | 2.4    |
| Dividend Payout ratio (%)                      | -     | -       | -      | -      |
| <b>Valuation Ratios</b>                        |       |         |        |        |
| No of shares                                   | 771   | 773     | 773    | 773    |
| No of shares (fully diluted)                   | 771   | 773     | 773    | 773    |
| EPS (INR)                                      | 10.8  | (1.3)   | 9.2    | 17.1   |
| EPS fully diluted (INR)                        | 10.8  | (1.3)   | 9.2    | 17.1   |
| Price to Earnings (x)                          | 35.1  | (299.0) | 41.4   | 22.2   |
| Price to Earnings (fully diluted) (x)          | 35.1  | (299.0) | 41.4   | 22.2   |
| Book Value (fully diluted)                     | 106   | 106     | 115    | 132    |
| Adjusted book value                            | 104   | 102     | 109    | 122    |
| Price to Book                                  | 3.6   | 3.6     | 3.3    | 2.9    |
| Price to Adjusted Book                         | 3.6   | 3.7     | 3.5    | 3.1    |
| DPS (INR)                                      | 2.0   | -       | -      | -      |
| Dividend yield (%)                             | 0.5   | -       | -      | -      |

Source Company data, I-Sec research

## Exhibit 16: Key Metrics

(Year ending March)

|                                    | FY24A       | FY25A        | FY26E      | FY27E       |
|------------------------------------|-------------|--------------|------------|-------------|
| <b>DuPont Analysis</b>             |             |              |            |             |
| Average Assets (INR mn)            | 2,10,544    | 2,95,584     | 4,11,475   | 5,57,128    |
| Average Loans (INR mn)             | 1,86,379    | 2,73,707     | 3,85,489   | 5,24,694    |
| Average Equity (INR mn)            | 72,959      | 81,709       | 85,298     | 95,474      |
| Interest earned (%)                | 13.8        | 13.1         | 13.0       | 13.0        |
| Net gain on fair value changes (%) | 0.5         | 0.3          | 0.2        | 0.2         |
| Interest expended (%)              | 4.5         | 5.1          | 5.6        | 5.6         |
| <b>Gross Interest Spread (%)</b>   | <b>9.3</b>  | <b>8.0</b>   | <b>7.4</b> | <b>7.3</b>  |
| Credit cost (%)                    | 0.3         | 5.3          | 2.1        | 2.1         |
| <b>Net Interest Spread (%)</b>     | <b>8.9</b>  | <b>2.7</b>   | <b>5.3</b> | <b>5.2</b>  |
| Operating cost (%)                 | 3.8         | 4.3          | 3.7        | 2.6         |
| <b>Lending spread (%)</b>          | <b>5.1</b>  | <b>(1.6)</b> | <b>1.6</b> | <b>2.6</b>  |
| Non interest income (%)            | 0.7         | 0.8          | 0.6        | 0.5         |
| <b>Operating Spread (%)</b>        | <b>5.7</b>  | <b>(0.8)</b> | <b>2.2</b> | <b>3.1</b>  |
| Tax rate (%)                       | 36.6        | 27.4         | 27.4       | 27.4        |
| <b>ROAA (%)</b>                    | <b>4.0</b>  | <b>(0.3)</b> | <b>1.7</b> | <b>2.4</b>  |
| Effective leverage (AA/ AE)        | 2.9         | 3.6          | 4.8        | 5.8         |
| <b>RoAE (%)</b>                    | <b>11.4</b> | <b>(1.2)</b> | <b>8.3</b> | <b>13.9</b> |

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com and Kadambari\_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

## ANALYST CERTIFICATION

I/We, Chintan Shah, CA; Renish Bhuva, CFA (ICFAI); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Bhavesh Soni](mailto:Mr. Bhavesh Soni) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---