

Piramal Enterprises

Bloomberg	PIEL IN
Equity Shares (m)	225
M.Cap.(INRb)/(USDb)	217.1 / 2.6
52-Week Range (INR)	1275 / 737
1, 6, 12 Rel. Per (%)	-6/-12/-7
12M Avg Val (INR M)	1133

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
PPOP	15.8	20.0	28.5
PAT	4.8	13.2	15.4
PAT (ex-exceptional)	4.8	3.2	13.4
EPS	22	59	68
EPS Gr. (%)	-	173	16
BV/Sh. (INR)	1,202	1,250	1,303
RoA (%)	0.5	1.3	1.2
RoE (%)	1.8	4.8	5.3

Valuation

P/E (x)	44.9	16.4	14.1
P/BV (x)	0.8	0.8	0.7
Dividend yield (%)	1.1	1.5	1.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	46.4	46.3	46.2
DII	14.3	13.8	13.2
FII	16.5	16.8	17.5
Others	22.8	23.1	23.2

FII includes depository receipts

CMP: INR963

TP: INR1,085 (+13%)

Neutral

Accelerated rundown in legacy AUM; growth businesses improve

Retail opex ratio continues to improve; AIF recoveries remain on track

- Piramal Enterprises (PIEL) reported a 4QFY25 net profit of ~INR1b (PQ: ~INR386m). This included an exceptional gain of ~INR3.7b from recoveries in the AIF portfolio. For FY25, the total gain from the AIF portfolio stood at INR9.2b. FY25 net profit stood at INR4.85b (vs. a loss of INR16.8b in FY24).
- NII rose 28% YoY to ~INR8.5b. PPOP stood at ~INR8.3b (PQ: INR7.1b).
- Total AUM grew 17% YoY and 3% QoQ to INR807b. Wholesale 2.0 AUM rose ~44% YoY and 2% QoQ to INR91.2b, while Wholesale 1.0 AUM declined ~33% YoY/53% QoQ to INR69b.
- Management has guided ~25% YoY growth in total AUM in FY26, primarily driven by a strong ~30% YoY growth in the retail loan segment. The company expects a greater contribution from unsecured products compared to FY25 and intends to scale down its legacy AUM to INR30-35b by FY26.
- PIEL highlighted that asset quality within the growth portfolio remained largely stable. It believes that credit costs for the non-MFI portfolio peaked in 3QFY25, while MFI-related credit costs have likely peaked in 4QFY25. Barring MFI, delinquency trends across other segments remain benign.
- We estimate a total AUM CAGR of ~24% and a Retail AUM CAGR of ~27% over FY24-FY27. While its growth business (excluding one-off gains and exceptional items) is showing signs of improvement, it will still take a few more quarters for the company to mitigate the earnings and credit cost impact of the accelerated decline in the legacy AUM.
- Pockets of opportunity, which we earlier thought would be utilized for inorganic acquisitions in retail businesses or for strengthening the balance sheet, are being directed toward running down the stressed legacy AUM. In the near term, we still do not see catalysts for any meaningful improvement in the core earnings trajectory of the company. **We reiterate our Neutral rating with a revised TP of INR1,085 (based on Mar'27E SoTP).**

Highlights from the management commentary

- Unsecured disbursements moderated and were down 1% YoY during the quarter vs. secured products, which rose ~22% YoY. The company is going slow in terms of disbursements in business and digital loans.
- The company aims to increase the share of unsecured business by ~4-4.5% in total AUM over the next two years. This shift is expected to be NIM-accretive, contributing positively to margins.
- The company has a tax shield of INR145b, which will ensure that the PAT is equal to PBT for the next few years. Further, the company expects to receive deferred consideration of USD120m in FY26 from the sale of the Piramal imaging business.

- PCHFL, a subsidiary of PEL, was renamed Piramal Finance Limited (PFL) and transitioned from an HFC to an NBFC. PFL is now an Upper Layer NBFC and one of the top 10 private sector NBFCs in India. The company has received the RBI approval for the merger of PEL with PFL and has initiated the NCLT process for approvals, which is expected to conclude around Sep'25.

Retail loans surge ~35% YoY; retail mix improves to ~80%

- Retail AUM grew ~35% YoY to INR647b, with its share in the loan book increasing to ~80% (PQ: 75%). Management shared that the company is going slow in terms of disbursements in business and digital loans.
- Retail disbursements grew ~9% YoY and ~17% QoQ to INR98b. Except for the unsecured business loans, all other product segments exhibited sequential growth in disbursements.

Retail asset quality steady; credit costs broadly stable in growth businesses

- GS3 was stable QoQ at ~2.8%, while NS3 rose ~40bp QoQ to 1.9%. Stage 3 PCR declined ~14pp QoQ to ~35.7%. As per the policy, the company released a provision of INR1.4b created on the wholesale portfolio during the quarter. Retail 90+ DPD was stable QoQ at ~0.8%.
- Growth business (Retail and Wholesale 2.0) gross credit costs rose ~10bp QoQ to 1.8% (PQ: 1.7%). Total ECL/EAD declined ~150bp QoQ to ~2.8% of the AUM.

Valuation and view

- PIEL delivered a steady quarter, driven by robust growth in the retail loan portfolio, even as the legacy AUM continued to decline. However, this was largely offset by healthy recoveries from the AIF book. Asset quality remained largely stable across segments, while the retail opex ratio continued to show improvement.
- Our earnings estimates for FY26 and FY27 factor in gains from the AIF exposures, deferred consideration of USD120m from the sale of Piramal Imaging, and zero tax outgo in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General Insurance, we have not factored it into our estimates yet. It will, however, provide one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.2% RoA and ~5% RoE in FY27E. We value the lending business at 0.7x Mar'27E P/BV and **reiterate our Neutral rating on the stock with a revised TP of INR1,085 (premised on Mar'27E SOTP).**

Exhibit 1: SoTP valuation – Mar'27E

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	200	2.4	889	82	❖ 0.7x Mar'27E PBV
Shriram Group	34	0.4	151	14	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	5	0.1	21	2	
Alternatives	5	0.1	23	2	
Target Value	244	2.9	1,085	100	







Source: MOFSL, Company

Piramal: Quarterly Performance

(INR m)

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	17,251	17,783	19,307	19,009	19,285	20,804	21,888	22,636	74,230	89,090
Interest Expenses	10,439	10,500	11,178	11,887	12,047	13,050	13,640	14,167	44,004	53,174
Net Interest Income	6,812	7,283	8,129	7,121	7,238	7,754	8,248	8,469	30,226	35,916
YoY Growth (%)	-31.0	-12.3	-21.3	-22.3	6.3	6.5	1.5	18.9		
Other operating income	11,739	4,150	5,450	5,724	1,943	2,075	6,358	5,900	7,899	6,417
Other Income	208	119	706	549	226	870	536	1,791	1,581	3,623
Total Income	18,759	11,552	14,284	13,394	9,407	10,700	15,142	16,159	39,706	45,956
YoY Growth (%)	75.4	22.5	-38.3	53.9	-49.9	-7.4	6.0	20.6		
Operating Expenses	9,061	6,641	6,970	14,451	7,034	7,534	8,002	7,843	27,740	30,143
Operating Profit	9,698	4,911	7,314	-1,057	2,373	3,166	7,140	8,317	11,966	15,814
YoY Growth (%)	54.5	22.1	-58.3	-153.7	-75.5	-35.5	-2.4	-887.2		
Provisions & Loan Losses	3,090	4,385	5,995	20,852	1,007	2,376	6,278	8,058	45,638	10,740
Profit before Tax	6,609	526	1,319	-21,909	1,366	790	862	258	-33,692	5,074
Tax Provisions	1,732	107	-9,575	-8,212	664	272	521	136	-15,949	1,594
PAT (before associate income)	4,877	419	10,894	-13,696	702	518	340	122	-17,744	3,479
Associate Income	211	707	728	-108	76	343	45	903	1,540	1,370
PAT (before exceptional)	5,088	1,125	11,622	-13,805	778	860	386	1,024	-16,204	4,849
Exceptional items	0	-643	-35,398	15,176	1,037	769	0	0	-640	0
Profit from Discontinued operations									-	-
PAT (after exceptional)	5,088	482	-23,776	1,371	1,815	1,630	386	1,024	-16,844	4,849

Exhibit 2: Key products with average ticket size and disbursement yields in 4QFY25

Product Segments	Products	Average disbursement ticket size (INR lakh)	Disbursement yield	Share in disbursements	AUM yield	Share in AUM*
 Housing	Affordable housing	24.0	11.6%	27.6%	11.7%	41.2%
	Mass affluent housing					
	Budget housing					
 Secured MSME (LAP)	Secured business loan	23.9	12.9%	32.1%	13.0%	26.6%
	Loan against property (LAP)					
	LAP plus					
 Used car loans	Pre-owned car loans	6.7	15.3%	9.5%	15.0%	6.2%
 Business loan	Microfinance loans	0.5	16.9%	0.7%	17.6%	1.5%
	Business loans	10.1	19.5%	6.5%	20.0%	6.6%
	Merchant BNPL					
 Salaried PL	Salaried personal loans	4.1	17.7%	15.3%	17.5%	9.2%
 Digital loan	Digital purchase finance	1.1	16.0%	9.5%	17.5%	4.5%
	Digital personal loans					
Total / weighted average		16.2	14.2%		13.6%	

Source: Company, MOFSL



Highlights from the management commentary

Guidance

- PIEL has guided for ~25% YoY AUM growth in FY26, crossing INR1t, led by ~30% YoY growth in its retail segment.
- Retail mix is expected to range between 80-85% in FY26.
- Legacy AUM is projected to decline to INR30-35b in FY26, and it will be negligible in the context of overall size.
- Expect PAT of INR13b-15b in FY26 (vs. INR4.8b in FY25). The contribution of growth business in PAT will be around INR12b.
- Management expects the opex-to-AUM ratio of ~3.5%-4% in the medium term.
- PIEL expects growth in unsecured products to be higher in FY26 than in FY25.
- The company aims to increase the share of unsecured business by ~4-4.5% in total AUM over the next two years. This shift is expected to be NIM-accretive, contributing positively to margins.
- The company expects the cost of borrowing to decline ~10-20bp in the next year; however, overall cost of funds will remain largely stable as leverage will increase.

Opening remarks

- The last few years have been transformational for the company. Retail and wholesale 2.0 has reported a 50% CAGR in the last three years.
- The share of growth AUM in total AUM has increased from 34% to 91% over the same period. Legacy AUM rundown from INR430b to 91b.
- While running down the legacy book and investing in new business, PIEL was able to preserve its net worth, and it is stable at INR270b as of FY25.
- The company is in the final stages of merging PIEL with Piramal Finance.
- PIEL has significant embedded value in the balance sheet, which it will look to monetize in the next 2-3 years. Further monetization opportunity available from Shriram Life and the general insurance business, and the AIF book.
- The company has a tax shield INR145b, which will ensure that PAT is equal to PBT for the next few years.
- The company expects to receive deferred consideration of USD120m in FY26 from the sale of the Piramal imaging business.
- Consolidated NIMs have been increasing over the last 6-8 quarters.
- The company has reached the final stages of its transition journey and is excited about the opportunities that lie ahead.

Micro LAP

- PIEL launched a micro LAP business during the quarter.
- Micro LAP will remain a small business for the company with gradual and disciplined scaling.
- Target to achieve AUM of INR10b-15b by next year in the micro LAP business.

Financial highlights

- AIF recovery of INR17b over the past 2 years and INR9.2b in the current year.
- Consolidated AUM grew 17% YoY in FY25 to INR807b. The retail-to-wholesale mix stood at 80:20.

- Opex to AUM ratio in the growth business declined from 4.8% in 4QFY25 to 4% in 4QFY25.
- Credit costs stood at INR3b in growth businesses and INR2.3b in wholesale businesses, net of recoveries.

Retail Business updates

- Unsecured disbursements moderated and were down 1% YoY during the quarter vs. secured products, which rose ~22% YoY.
- Mortgage business grew 34% YoY to INR438b. Mortgage accounted for 54% of the total AUM of the company and 68% of the retail AUM.
- Mortgage business has robust asset quality with a 90% delinquency ratio of 0.5%.
- The company is among the largest lenders in mortgage financing and grows much faster than its peers, driven by distribution efficiency and on-the-ground presence with tech and AI/ML capability.
- Used car loans AUM was up 91% YoY, and Salaried PL was up 93% YoY
- The company is going slow in terms of disbursements in business and digital loans. Digital loans AUM was down 24% YoY.

Asset quality

- Overall retail asset quality remains healthy. 90+dpd in retail book was stable QoQ at 0.8%.
- MFI in business loans witnessed the largest deterioration in asset quality, and 90+dpd stood at ~6.9%. MFI is about 1.5% of total retail AUM. The rest of the products witness benign delinquency trends.
- Credit costs were similar in 4Q as compared to 3Q, despite some adjustments made in the ECL business. Management shared that Ex-MFI credit costs peaked in 3Q and MFI credit costs peaked in 4Q.

Legacy business

- Legacy AUM declined ~53% YoY to INR69b, and it constitutes ~9% of the total AUM.
- The company saw recovery in some lumpy loan assets, and credit costs were also high, which was adequately offset by AIF recovery gains, which is in line with AIF recovery guidelines.

Wholesale 2.0

- Disbursed increased ~22% YoY to INR18b across real estate and mid-market lending strategy. Average ticket size stood at INR1.7b.
- The company is seeing strong tailwinds in the real estate sector and will grow in a calibrated manner.
- During the quarter, growth was slow due to significant repayment pressure by both the real estate and CMA segments. Repayment was ~45% of the disbursed amount during the year.
- Since the inception of the new wholesale lending business, the company has not experienced any delinquency in the portfolio.

Cost of borrowing and leverage

- The company is seeing some moderation in the cost of borrowing on its marked linked borrowing and expects some more benefit to come in from June and July.
- The company has capped leverage at 4x, allowing room for additional borrowing if required.
- It is currently over-capitalized and plans to return excess capital to shareholders through dividends.

Valuation and view

- PIEL delivered a steady quarter, driven by robust growth in the retail loan portfolio, even as the legacy AUM continued to decline. However, this was largely offset by healthy recoveries from the AIF book. Asset quality remained largely stable across segments, while the retail opex ratio continued to show improvement.
- Our earnings estimates for FY26 and FY27 factor in gains from the AIF exposures, deferred consideration of USD120m from the sale of Piramal Imaging, and zero tax outgo in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General Insurance, we have not factored it into our estimates yet. It will, however, provide one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.2% RoA and ~5% RoE in FY27E. We value the lending business at 0.7x Mar'27E P/BV and **reiterate our Neutral rating on the stock with a revised TP of INR1,085 (premised on Mar'27E SOTP).**

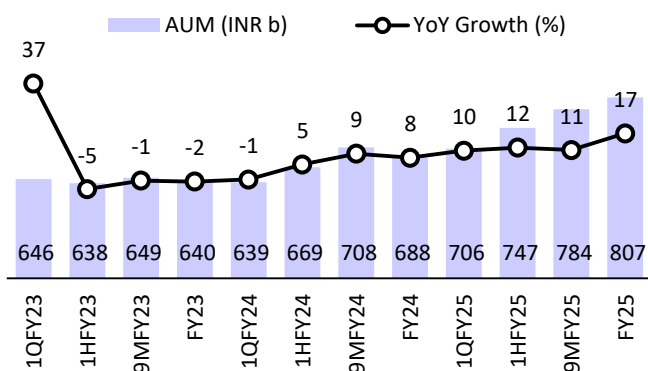
Exhibit 3: SoTP valuation – Mar'27E

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	200	2.4	889	82	❖ 0.7x Mar'27E PBV
Shriram Group	34	0.4	151	14	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	5	0.1	21	2	
Alternatives	5	0.1	23	2	
Target Value	244	2.9	1,085	100	

Source: MOFSL, Company

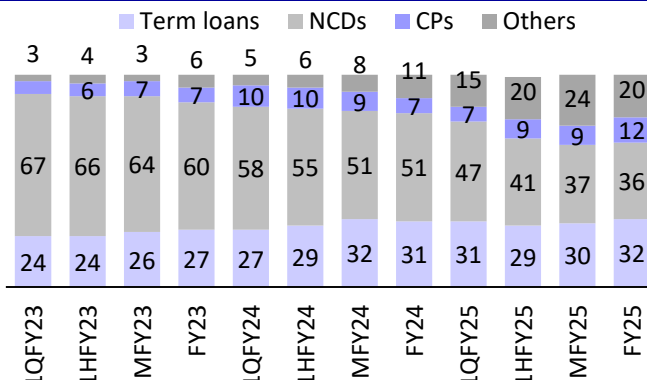
Key exhibits

Exhibit 4: AUM grew 17% YoY (%)



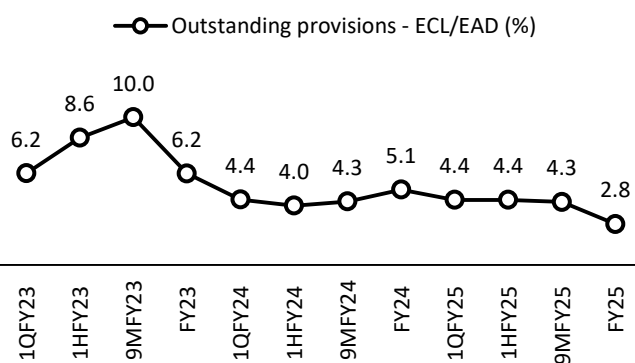
Source: MOFSL, Company

Exhibit 5: Borrowing mix (%)



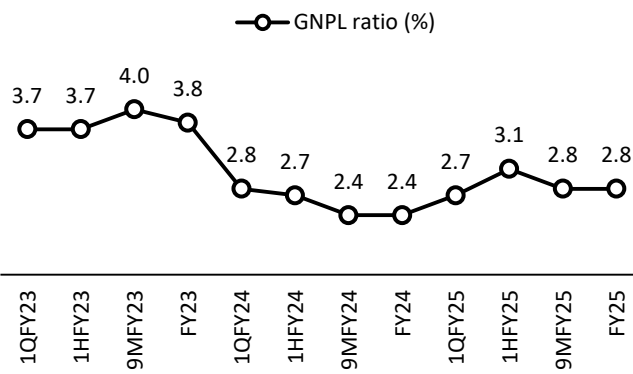
Source: MOFSL, Company

Exhibit 6: ECL/EAD declined ~150bp QoQ (%)



Source: MOFSL, Company

Exhibit 7: GNPA was stable QoQ (%)



Source: MOFSL, Company

Financials and valuations

Income statement						INR m	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	69,260	75,228	77,986	74,230	89,090	1,06,047	1,32,405
Interest Expended	41,580	42,251	40,412	44,004	53,174	64,248	79,547
Net Interest Income	27,680	32,977	37,574	30,226	35,916	41,799	52,858
Change (%)		19.1	13.9	-19.6	18.8	16.4	26.5
Other Income	1,150	3,881	12,881	9,480	10,040	11,320	12,351
Net Income	28,830	36,858	50,456	39,706	45,956	53,119	65,209
Change (%)		27.8	36.9	-21.3	15.7	15.6	22.8
Operating Expenses	6,360	12,284	22,148	27,740	30,143	33,153	36,753
PPoP	22,470	24,574	28,307	11,966	15,814	19,966	28,456
Change (%)		9.4	15.2	-57.7	32.2	26.3	42.5
Provisions/write offs	10	8,299	54,101	45,638	10,740	18,306	16,734
PBT	22,460	16,275	-25,793	-33,672	5,074	1,660	11,722
Tax	5,790	4,062	-39,781	-15,949	1,594	0	0
Tax Rate (%)	25.8	19.0	0.0	0.0	0.0	0.0	0.0
PAT (before associate income)	16,670	12,213	13,987	-17,724	3,479	1,660	11,722
Associate Income	0	5,939	3,886	1,540	1,370	1,507	1,658
PAT (before exceptional)	16,670	18,152	17,873	-16,184	4,849	3,167	13,379
Exceptional items	0	-1,529	80,663	13,840	0	10,080	2,000
PAT (after exceptional)	16,670	16,622	98,536	-2,344	4,849	13,247	15,379
Profit from discontinued Operations	0	3,365	0	0	0	0	0
Reported net profit/loss	16,670	19,988	98,536	-2,344	4,849	13,247	15,379

Balance sheet						INR m	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	451	477	477	449	451	451	451
Reserves & Surplus	1,80,279	3,54,414	3,10,114	2,65,121	2,70,509	2,81,277	2,93,344
Net Worth	1,80,730	3,68,369	3,10,591	2,65,571	2,70,959	2,81,727	2,93,795
Borrowings	3,75,564	5,54,510	4,95,828	5,34,020	6,54,840	8,22,133	10,49,554
Change (%)	0	48	-11	8	23	26	28
Other liabilities	5,086	39,549	23,891	24,274	20,681	18,613	16,752
Total Liabilities	5,61,380	9,98,729	8,37,522	8,26,050	9,49,434	11,22,473	13,60,101
Loans and advances	4,61,680	4,93,180	4,63,946	5,49,434	6,57,918	8,40,669	10,82,647
Change (%)	0	7	-6	18	20	28	29
Investments		2,48,565	2,23,318	1,25,130	1,25,387	1,19,117	1,13,161
Net Fixed Assets	1,200	86,715	7,385	6,232	4,931	3,451	2,416
Cash and Cash equivalents	38,500	71,872	46,491	44,468	62,759	55,000	55,000
Deferred tax assets		13,679	18,472	28,756	27,404	27,404	27,404
Other assets	60,000	71,366	77,910	72,030	71,036	76,832	79,472
Total Assets	5,61,380	9,98,729	8,37,522	8,26,050	9,49,434	11,22,473	13,60,101

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Spreads Analysis (%)							
Yield on loans	14.5	14.4	13.0	11.6	11.9	11.8	11.9
Cost of funds	10.6	9.1	7.7	8.5	8.9	8.7	8.5
Spread	3.8	5.3	5.3	3.0	3.0	3.1	3.4
Net Interest Margin	5.8	6.3	6.3	4.7	4.8	4.7	4.8

Profitability Ratios (%)

RoE	9.9	6.6	5.3	-0.8	1.8	4.8	5.3
RoA	3.1	2.3	1.9	-0.3	0.5	1.3	1.2
C/I ratio	22.1	33.3	43.9	69.9	65.6	62.4	56.4

Asset Quality (%)

Gross NPA	20,180	22,270	20,550	14,300	19,510	21,605	23,566
Gross NPA (% of AUM)	4.1	3.6	3.3	2.2	2.7	2.4	2.1
Net NPA	9,870	9,980	10,380	4,960	12,540	14,907	16,496
Net NPA (% of AUM)	2.1	1.7	1.8	0.8	1.8	1.7	1.5
PCR (%)	51.1	55.2	49.5	65.3	35.7	31.0	30.0

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY26E
AUM (INR m)	4,88,910	6,51,850	6,39,890	6,88,460	8,06,890	9,90,522	12,34,769
YoY growth (%)	-5	33	-2	8	17	23	25
AUM Mix (%)							
Wholesale	89.2	69.6	49.8	30.4	19.9	15.7	15.1
Retail	10.8	33.1	50.2	69.6	80.1	84.3	84.9
Total	100.0	102.6	100.0	100.0	100.0	100.0	100.0

Wholesale Loans (INR m)	3,93,650	3,84,620	2,74,960	2,09,190	1,60,370	1,55,559	1,86,671
YoY growth (%)	-13.3	-2.3	-28.5	-23.9	-23.3	-3.0	20.0

Retail Loans (INR m)	53,030	2,15,520	3,21,440	4,79,270	6,46,520	8,34,963	10,48,099
YoY growth (%)	-4.2	306.4	49.1	49.1	34.9	29.1	25.5

Total Loan Book	4,46,680	6,00,140	5,96,400	6,88,460	8,06,890	9,90,522	12,34,769
YoY growth (%)	-12.4	34.4	-0.6	15.4	17.2	22.8	24.7

VALUATION	FY21	FY22	FY23	FY24	FY25	FY26E	FY26E
Book Value (INR)	801	1,544	1,301	1,182	1,202	1,250	1,303
Price-BV (x)		0.6	0.7	0.8	0.8	0.8	0.7
EPS (INR)	73.9	69.7	74.9	-10.4	21.5	58.8	68.2
EPS Growth YoY		-6	8	-114	-306	173	16
Price-Earnings (x)		13.9	12.9	-92.5	44.9	16.4	14.1
Dividend per share (INR)			31.0	10.0	11.0	14.7	17.1
Dividend yield (%)			3.2	1.0	1.1	1.5	1.8

E: MOFSL Estimates

Du-Pont	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest income	13.7	9.6	8.5	8.9	10.0	10.2	10.7
Interest expense	8.2	5.4	4.4	5.3	6.0	6.2	6.4
NII	5.5	4.2	4.1	3.6	4.0	4.0	4.3
Fee and other income	0.2	0.5	1.4	1.1	1.1	1.1	1.0
Total income	5.7	4.7	5.5	4.8	5.2	5.1	5.3
Operating expense	1.3	1.6	2.4	3.3	3.4	3.2	3.0
PPOP	4.4	3.2	3.1	1.4	1.8	1.9	2.3
Provisions (annualized)	0.0	1.1	5.9	5.5	1.2	1.8	1.3
PBT	4.4	2.1	-2.8	-4.0	0.6	0.2	0.9
ROA (before associate and exceptional)	3.3	1.6	1.5	-2.1	0.4	0.2	0.9
Consol RoA (including associate and exceptional)		2.6	10.9	-2.0	0.5	1.3	1.2
Assets-to-equity	3.0	2.8	2.7	2.9	3.3	3.7	4.3
Consol ROE (PAT)	9.9	7.3	29.4	-5.8	1.8	4.8	5.3

E: MOFSL Estimates

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