



Q3FY26

Poonawalla Fincorp Ltd.



Poonawalla Fincorp Ltd.

Momentum in growth, improved outlook

CMP* INR 448	Target INR 463	Potential Upside 3.4%	Market Cap (INR Bn) INR 355	Recommendation HOLD	Sector NBFC
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Result Highlights

Strong AUM Growth and Portfolio Mix

- In Q3FY26, Poonawalla Fincorp's Assets Under Management rose to INR 550,170 mn, registering robust growth of 77.6% YoY and 15.3% QoQ, driven by sustained momentum across both secured and unsecured segments. The on-book portfolio mix stood at 56% secured and 44% unsecured.

Margin Expansion and Earnings Momentum

- Net Interest Income increased 50.0% YoY to INR 9,209 mn, supported by rapid AUM growth and sequential margin expansion missed our estimate by 20.2%.
- Net Interest Margin improved to 8.62% in Q3 FY26 from 8.40% in Q2 FY26, aided by better pricing and a marginal decline in borrowing costs, which fell 4 bps QoQ to 7.65%. Pre-provision operating profit rose 41.5% YoY to INR 5,277 mn. Profit after tax stood at INR 1,502 mn, a sharp improvement over INR 742 mn in Q2 FY26.

Stable Asset Quality and Strong Capital Position

- Asset quality remained stable with GNPA at 1.51% and NNPA at 0.80%, both improving sequentially. Credit cost moderated to 2.62% of average AUM, while Stage 1 assets improved to 97.4% of on-book assets.
- Capital adequacy remained comfortable at 18.17% (Tier-1: 17.15%), supported by a healthy liquidity buffer of INR 64,880 mn. The company continued to invest in technology, adding 12 AI initiatives during the quarter, taking the total to 57 projects.

Outlook & Valuation:

Poonawalla Fincorp reported a strong quarter, driven by sharp growth in AUM and a significant improvement in profitability. Asset quality continued to improve, with lower stress levels and a higher proportion of standard assets. The company is steadily diversifying its portfolio toward structurally lower-risk products such as gold loans, education loans, and loans against property, which should support more stable returns over time.

After a prolonged investment phase, operating leverage is expected to materialize in better cost efficiency. The balance sheet remains well capitalised, providing ample headroom for growth. However, overall credit costs remain elevated, largely due to the inherent risk profile of the instant consumer loan segment, which continues to weigh on consolidated asset quality metrics.

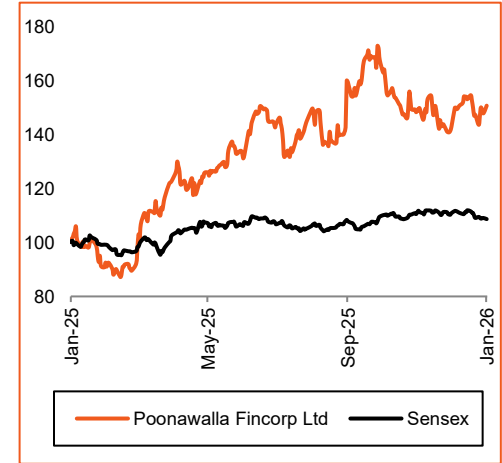
We value the stock at a multiple of 3.1x FY28E ABVPS, arriving at a target price of INR 463. Given the sustained strength in operational performance and execution, along with the recent correction in the stock price, we upgrade our rating to **"HOLD"** from **"REDUCE"**.

KEY FINANCIALS

Particulars (INR Mn)	FY 24	FY 25	FY 26E	FY 27E	FY 28E
NII	19,490	23,594	34,419	55,281	65,137
PPOP	13,894	13,228	18,030	31,464	39,855
PAT	20,560	-983	4,683	11,702	16,169
EPS	26.8	-1.3	5.8	14.4	19.9
NIM	10.5%	8.4%	8.5%	9.7%	8.1%
Advances Growth	54.9%	42.5%	38.4%	41.6%	41.3%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	808
Mkt Cap (INR Bn)	367
52 Wk H/L (INR)	570/267

*Based on previous closing
 Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Dec-25	Sept-25	Jun-25
Promoters	64.0	64.0	62.5
FII's	10.6	10.6	10.8
DII's	12.2	12.3	12.3
Others	13.2	13.1	14.4
Total	100.0	100.0	100.0

41.6%

 NII CAGR
 between FY24-27E

N.A.

 Adj. PAT CAGR
 between FY24-27E

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Key Con-call Highlights:

Headline performance (QoQ & YoY)

- PFL delivered a high-growth but better-balanced quarter. AUM reached INR 550,170 mn, up 77.6% YoY and 15.3% QoQ, with growth increasingly supported by newer, more diversified products rather than a single driver. Total disbursements rose 84% YoY and 6.5% QoQ, while “new products” hit a ~INR 9,500 mn monthly run-rate in December and lifted their share of disbursements to 20% vs 17% in Q2. Secured assets are now ~56% of the book, indicating a gradual shift toward lower portfolio volatility.
- Pricing remained firm: Q3 disbursal yields were around 15.5%, reflecting disciplined risk calibration. NIM (including fees) improved to 8.62% vs 8.40% in Q2, aided by a lower cost of funds (7.65% vs 8.04% in Q1) and a meaningful increase in capital-market borrowings.
- Asset quality continued to improve. GNPA declined to 1.51% (vs 1.59% in Q2) and Stage-1 assets increased to 97.4% (97.1% in Q2), with Stage-2/3 also trending lower. Management emphasized that consolidated credit cost should be viewed primarily as a function of portfolio mix rather than stress in any single product.
- Profitability showed clear operating leverage. NII rose 19.3% QoQ, PPOP increased 36.5% QoQ to INR 5,280 mn, and PAT reached INR 1,500 mn (+102% QoQ, +702% YoY). ROA crossed 1.2%, marking a key inflection point for the franchise.

Capital, liquidity & balance sheet health

- Capital remains comfortable with CAR at 18.17% (Tier-1 17.15%) and Debt/Equity at 4.25x, providing headroom for growth. Liquidity is strong with LCR at 156% and a surplus of INR 64,880 mn as of December 2025.
- Liability quality improved materially. Long-term borrowings now form ~83–84% of total borrowings, and the share of NCDs increased from 7% in Mar-25 to 33% in Dec-25, supporting funding stability and lower costs. The board has approved an INR 55,000 mn equity raise valid for 12 months, positioned as strategic flexibility rather than an immediate requirement.

Strategy & operating phase

- Management signaled a transition from heavy investment to scale with operating leverage. The core strategy is to let product mix, seasoning, and collections drive better ROA and lower credit cost over time. Six-month delinquency (6-MOV 30+) was highlighted as a key leading indicator, with enhanced disclosures this quarter.

Business build-out & traction

- Growth engines are broadening across products. Prime personal loans averaged ~INR 4,300 mn per month in Q3; over 70% of borrowers are salaried with bureau scores above 750, and 28% of flows were fully straight-through processed.
- Gold loans accelerated sharply from INR 1,100 mn in September to INR 2,070 mn in December, with branches concentrated in Tier-2/3 markets and early cross-sell traction.
- Consumer durables scaled effectively during the festive season (INR 1,180 mn to 54,000 customers in October) and is on track for 12,000 outlets. Commercial vehicles averaged ~INR 1,000 mn per month, up 35% QoQ, supported by an expanded partner network (700+).
- Education loans crossed 16,000 files in nine months and disbursed INR 1,180 mn in December, with plans to expand the consultant network. Overall, higher-risk growth from instant loans is being balanced by faster scaling of gold, LAP, education, and salaried personal loans.

Distribution & sourcing

- PFL now operates 320 branches with 5,264 employees. Gold branches are being built as dense, control-focused clusters rather than dispersed expansion. In commercial retail, the in-house direct channel already contributes ~22% of disbursements, with a target of 40–50% over time. Digital sourcing is deepening: 38+ partners delivered 42% QoQ growth, while reducing platform concentration risk.

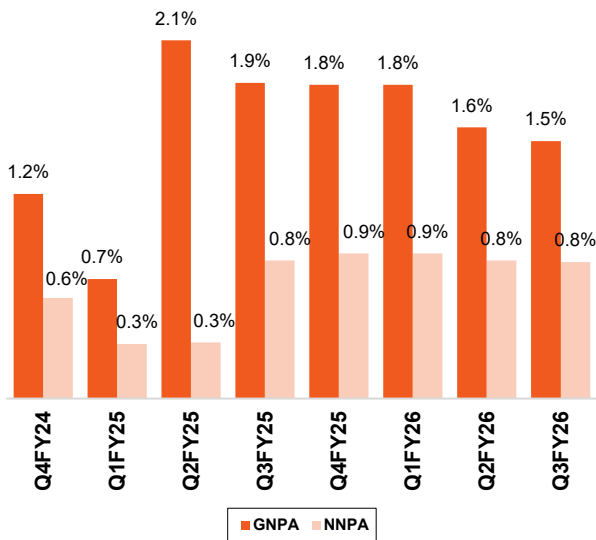
Credit, risk & collections

- Quarterly credit cost improved to **2.62% vs 2.67% in Q2**. Excluding instant loans, most products operate in a **1.4–1.5%** credit cost range. Early indicators were constructive:
- **LAP:** 6-MOV 30+ below 0.05%.
- **Gold & CV:** no 30+ DPD in Q3.
- **Salaried PL:** ~0.4% 6-MOV 30+.
- **Instant loans:** 3-MO 30+ improved **70% vs Q3 FY25**.
- **Used cars:** 6-MOV 30+ down **15% QoQ**.
- Management expects credit cost to decline structurally as lower-risk products gain share and portfolios season.

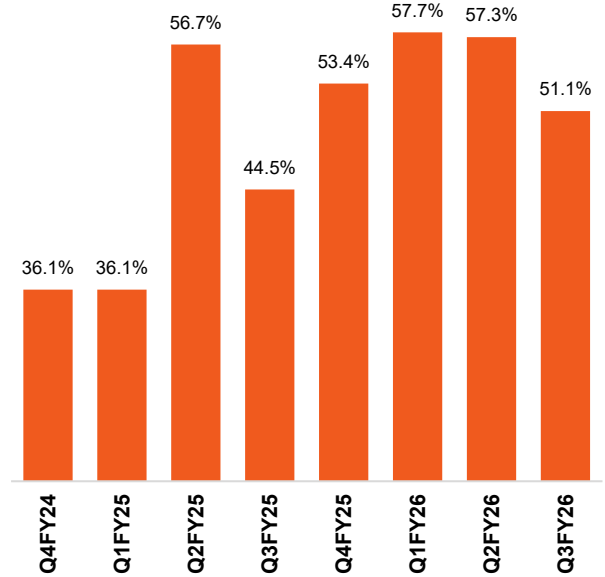
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Story in Charts

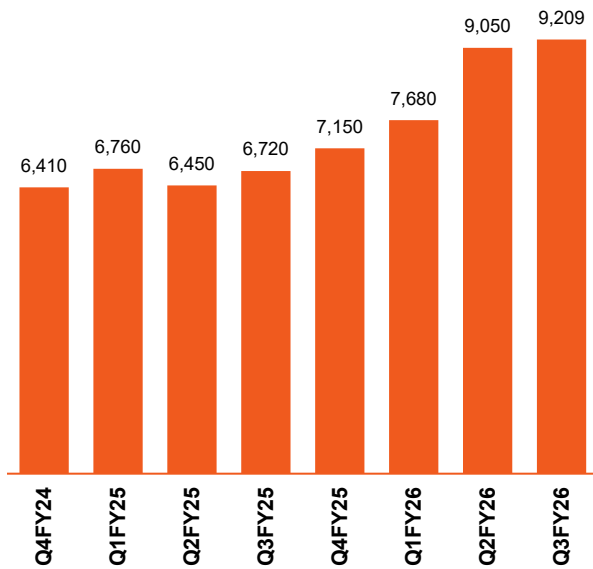
Consistent Improvement in GNPA & NNPA



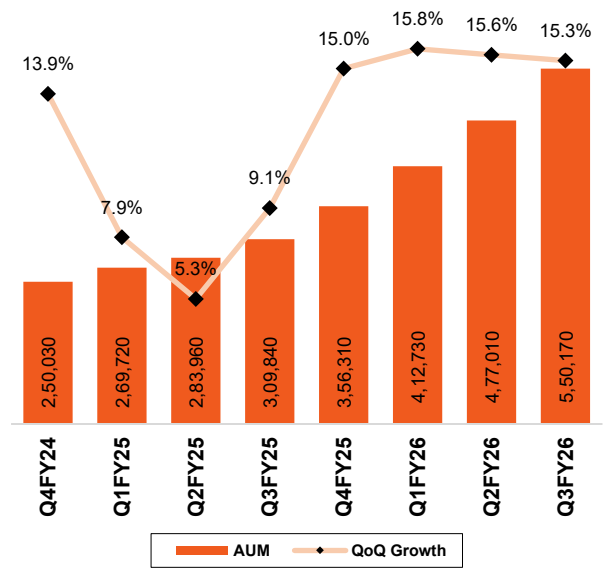
Cost/Income ratio at comfortable levels



Operating income (Mn) continues to Grow



Strong AUM growth by robust disbursements



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars INR Mn.	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Income Statement					
Interest Income	16,597	14,022	9,991	18.4%	66.1%
Interest expense	7,387	6,378	3,850	15.8%	91.9%
Net Interest Income	9,209	7,644	6,141	20.5%	50.0%
Other Income	1,588	1,405	581	13.0%	173.5%
Total Operating Income	10,798	9,050	6,722	19.3%	60.6%
Employee costs	2,849	2,564	1,485	11.1%	91.9%
Other operating expenses	2,671	2,620	1,507	1.9%	77.3%
Operating expenses	5,520	5,184	2,991	6.5%	84.6%
PPOP	5,277	3,866	3,731	36.5%	41.5%
Loan Losses and Provisions	3,275	2,877	3,479	13.9%	-5.8%
Profit before tax	2,002	989	252	102.5%	695.1%
Exceptional Item	0	0	0	0.0%	0.0%
Tax expense	500	247	65	102.5%	675.0%
Net profit	1,502	742	187	102.5%	702.0%
Asset quality					
Assets Under Management (AUM)	5,50,170	4,77,010	3,09,840	15.3%	77.6%
Key ratios					
Cost to income ratio (%)	51.1%	57.3%	57.7%	-620bps	-660bps
RoAUM (%) - Annualized	1.1%	0.6%	0.2%	47bps	85bps
NII/AUM	1.7%	1.6%	2.0%	7bps	-31bps

Source: Company, DevenChoksey Research

Poonawalla Fincorp Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	38,745	61,384	93,034	1,11,126
Interest Expense	15,151	26,966	37,753	45,989
Net Interest Income	23,594	34,419	55,281	65,137
Non-interest income	3,483	5,455	6,226	7,108
Operating income	27,078	39,873	61,507	72,245
- Employee expense	6,362	10,536	12,268	13,791
- Other operating expense	6,406	11,107	17,575	18,399
Net loss on derecognition of financial instrument	1,081	200	200	200
Operating Expense	13,850	21,843	30,043	32,390
PPOP	13,228	18,030	31,464	39,855
Provisions	14,582	11,869	16,067	18,580
PBT	-1,354	6,162	15,397	21,275
Tax Expense	-371	1,479	3,695	5,106
Exceptional Item	0	0	0	0
PAT	-983	4,683	11,702	16,169
Adjusted PAT	-983	4,683	11,702	16,169
Diluted EPS (INR)	-1.26	5.8	14.4	19.9
Adjusted EPS	-1.26	5.8	14.4	19.9

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	1,546	1,546	1,546	1,546
Reserves & Surplus	79,694	84,377	96,079	1,12,248
Networth	81,240	85,923	97,625	1,13,793
Borrowings	2,60,812	3,98,252	5,83,275	8,41,525
Other liabilities & provisions	7,740	7,879	8,052	8,268
Total Equity & Liabilities	3,49,793	4,92,054	6,88,951	9,63,587
Uses of Funds				
Cash & bank balances	323	-155	1,122	928
Deferred Tax Assetes	2,055	2,055	2,055	2,055
Net investments	13,416	13,685	13,958	14,237
Loans & advances	3,26,950	4,69,370	6,64,667	9,39,167
Fixed assets	2,542	2,592	2,642	2,692
Other assets	4,507	4,507	4,507	4,507
Total Assets	3,49,793	4,92,054	6,88,951	9,63,587

Source: Company, DevenChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
AUM (%)	42.5%	38.4%	41.6%	41.3%
Borrowings (%)	71.4%	52.7%	46.5%	44.3%
Total assets (%)	45.5%	40.7%	40.0%	39.9%
NII (%)	21.1%	45.9%	60.6%	17.8%
Pre-provisioning profit (%)	-4.8%	36.3%	74.5%	26.7%
B/S Ratios				
Credit/Borrowings (%)	130.1%	117.9%	114.0%	111.6%
Advances/Total assets (%)	97.0%	95.4%	96.5%	97.5%
Leverage - Total Assets to Equity	4.3	5.7	7.1	8.5
Operating efficiency				
Cost/income (%)	51.1%	54.8%	48.8%	44.8%
Opex/total assets (%)	4.7%	5.2%	5.1%	3.9%
Opex/total interest earning assets	1.7%	2.2%	2.5%	1.9%
Profitability				
NIM (%)	8.4%	8.5%	9.7%	8.1%
RoA (%)	-0.3%	1.1%	2.0%	2.0%
RoE (%)	-1.2%	5.6%	12.8%	15.3%
Asset quality				
Gross NPA (%)	1.8%	1.9%	1.9%	1.9%
Net NPA (%)	0.9%	0.3%	-0.5%	-0.8%
PCR (%)	54.5%	85.4%	129.2%	141.9%
Credit cost (%)	5.2%	2.9%	2.8%	2.3%
Per share data / Valuation				
EPS (INR)	-1.3	5.8	14.4	19.9
BVPS (INR)	104.4	105.8	120.2	140.1
ABVPS (INR)	100.8	104.2	124.6	149.4
P/E (x)	-354.4	77.7	31.1	22.5
P/BV (x)	4.3	4.2	3.7	3.2
P/ABV (x)	4.4	4.3	3.6	3.0
Profitability				
Return on Capital	-0.3%	1.1%	2.0%	2.0%
Return on Equity	-1.2%	5.6%	12.8%	15.3%

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Poonawalla Fincorp Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
21-Jan-26	448	463	HOLD	Buy	More than 15%
23-Oct-25	490	476	REDUCE		
28-Apr-25	386	411	ACCUMULATE	Accumulate	5% – 15%
04-Feb-25	313	370	BUY		
25-Oct-24	297	348	BUY	Hold	0 – 5%
26-Jul-24	366	455	BUY		
09-May-24	469	555	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

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