

**Price:** 397

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 21-Apr-2025

Poonawalla Fincorp Limited is advancing as an AI-first organization, deploying AI across credit, risk management, and more by Q4 FY25. It launched a Gen AI HR solution and is expanding its product range from four to ten, including digital loans and equipment leasing. With a 41% AUM growth to 30,984 crores, it aims for 30%-35% growth annually. Focus on risk management and regulatory compliance is crucial for sustained success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3938 Cr	Operating Profit(Year)	1534 Cr	Operating Profit Margin	39.0 %
Previous Year	2193 Cr	Operating Profit(Quarter)	425 Cr	EBITDA Margin	59.29 %
Current Quarter	1057 Cr	PAT (Year)	1131 Cr	Net Profit Margin	19.4 %
Previous Quarter	989 Cr	PAT (Quarter)	18.7 Cr	EPS	2.23
Revenue (QYoY)	763 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	180	Sales Growth	41.9 %	Sales Growth	6.88 %
PEG Ratio	5.51	PAT Growth	98.77 %	Sales Growth QYoY	38.53 %
EV/EBITDA	31.2	EPS Growth	-91.58 %	PAT Growth	-103.97 %
P/B	3.85	Dividend Yield	0.50	PAT Growth QYoY	-92.94 %
Capital Allocation		Holdings		Leverage	
RoE	15.6 %	Promoter	62.5 %	Debt/Equity	2.28
RoA	5.38 %	FII	9.99 %	Debt	18294 Cr
RoCE	11.1 %	DII	11.1 %	Market Cap	30820 Cr
RoIC	11.1 %	Public	15.7 %	Enterprise value	48976 Cr
		No of Shares	77.8 Cr	Cash Equivalents	138 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Poonawalla Fincorp Limited's recent meeting highlighted several strategic initiatives and business strategies aimed at enhancing growth and diversification. The company is focusing on becoming an AI-first organization, with a detailed AI technology strategy and use-case roadmap. This includes deploying AI across credit and risk management, collections, digital marketing, compliance, audit, and HR by Q4 FY25. The company has already rolled out an industry-first Gen AI solution in HR, reducing time to offer and is building an agentic-based employee conversational agent. In credit and risk, AI techniques and Gen AI processing are being used to sharpen decision-making and scorecards, with the intent to reduce default rates and processing costs. The company is also using AI to hyper-personalize customer targeting and experience across its website and apps, aiming to improve cost of acquisition and customer engagement.

The company is expanding its product portfolio from approximately four to ten products, with a phase-wise launch of 400 new branches beginning Q1 FY25-26. New product classes include a 24/7 Digital Prime Personal Loan, Gold loans, consumer durables, used commercial vehicles, shopkeeper loans, and education loans. An additional product, Equipment leasing, is set to launch to support SME and commercial segments. These initiatives are expected to enhance the company's presence in the middle-income segment and cater to both salaried and self-employed individuals across Tier-2 and Tier-3 cities. The company is also focusing on risk management, implementing risk frameworks for new product launches that leverage granular customer segmentation and custom algorithms.

Looking ahead, Poonawalla Fincorp is optimistic about its growth and scaling perspectives. The company aims to achieve industry-leading structural efficiencies, maximizing output and profitability while creating an unprecedented user experience. The company's AUM grew by 41% year-on-year and 9% quarter-on-quarter to 30,984 crores as of December 31, 2024. The company remains on track to achieve its AUM growth guidance of 30%-35% for the financial year and 30%-40% thereafter. The company is confident in its ability to deliver robust, sustainable profit trajectories from FY26-27 onwards, with ROAs expected to be in the range of 3%-3.5% by FY27.

While the company's initiatives and growth prospects are promising, there are areas for improvement. The company should continue to focus on enhancing its risk management practices and ensuring compliance with evolving regulatory requirements. Additionally, the company should monitor the performance of its new product launches and make necessary adjustments to align with customer needs. The company's emphasis on AI and technology-driven solutions is commendable, but it should also ensure that these initiatives are supported by a strong governance and monitoring framework to mitigate potential risks. Overall, Poonawalla Fincorp's strategic initiatives and growth plans position it well for future success, but continued focus on execution and risk management will be key to achieving its long-term objectives.

POONAWALLA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HDFC AMC	95407.39	38.77	32.35%	-3.55%	29.59%	-0.43%	18.05%
Bajaj Finance	574840.20	35.97	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	336361.52	39.23	15.28%	-4.93%	10.34%	6.90%	3.40%
Poonawalla Fin	30820.11	180.20	15.55%	6.89%	38.61%	103.98%	-92.94%
Jio Financial	156462.32	97.03	1.23%	12.52%	17.97%	7.24%	1.76%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant year-over-year increase, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding customer base.
Profit & Loss	Operating profit and PAT figures highlight a solid financial performance, with substantial annual growth. However, quarterly PAT shows a decline, suggesting potential short-term challenges or increased expenses that need addressing.
Profitability Matrix	High operating and EBITDA margins indicate efficient cost management and strong operational performance. The net profit margin is healthy, reflecting the company's ability to convert sales into actual profit effectively.
Valuation Matrix	The high trailing P/E and PEG ratios suggest the stock might be overvalued, indicating investor optimism or potential risk. The EV/EBITDA and P/B ratios provide a mixed view on valuation, requiring careful consideration by investors.
Growth (YoY)	Year-over-year growth in sales and PAT is impressive, showcasing the company's ability to expand and increase profitability. However, the negative EPS growth suggests dilution or increased shares, impacting per-share earnings.
Growth (QoQ)	Quarterly sales growth is positive, but the significant decline in PAT indicates potential operational or market challenges. This contrast requires strategic adjustments to sustain profitability in the short term.
Capital Allocation	The company demonstrates effective capital allocation with decent RoE and RoCE, indicating good returns on equity and capital employed. However, the lower RoA suggests room for improvement in asset utilization.
Holdings	Promoter holding is strong, reflecting confidence in the company's prospects. Institutional and public holdings are balanced, indicating diversified investor interest and potential stability in shareholding patterns.
Leverage	The high debt/equity ratio suggests significant leverage, which could pose financial risk. However, the market cap and enterprise value indicate strong market presence, requiring careful debt management to maintain financial health.

**Analyst viewpoint:** Poonawalla Fincorp Limited presents a compelling investment opportunity, backed by strong growth metrics and innovative strategic directions. Over the past quarter, the company has demonstrated a robust 6.88% growth in sales, which underpins an impressive 41.9% year-on-year sales growth. Despite a challenging economic environment, Poonawalla managed to expand its AUM by 9% quarter-on-quarter, which echoes a solid operational foundation and an ambitious expansion strategy. The company's aggressive deployment of AI across its processes promises to enhance efficiency and precision, reducing defaults and increasing customer engagement. With a dynamic product portfolio expansion in the midway, its focus on middle-income segments and the introduction of diverse digital financial solutions is expected to consolidate its market position and drive substantial revenues.

Moreover, Poonawalla's valuation metrics, though showing a high trailing P/E of 180, reflect significant investor confidence in its growth prospects. A prudent capital allocation strategy is evidenced by decent RoE and RoCE values. Comparatively, Poonawalla shows competitive strength with its peers, marked by a 38.53% sales growth. However, investors should be aware of the significant debt/equity ratio and maintain vigilance on short-term earnings volatility, potentially attributed to new market conditions or investments. Nonetheless, with an enviable market presence and strategic foresight, Poonawalla Fincorp is poised to capitalize on upwards trends in the financial services sector, making it an attractive choice for growth-oriented portfolios.

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**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

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