

Price: 382

Recommendation: Buy

Industry: Non Banking Financial

Sector: Financial Services

Report Date: 15-Apr-2025

Poonawalla Fincorp is set to transform into a multi-product lender, expanding its portfolio from four to ten products and launching 400 new branches by Q1 FY25-26. The company will introduce a 24/7 Digital Prime Personal Loan and diversify with gold loans, consumer durables, and more. Collaborating with IIT Mumbai, it leverages AI for enhanced customer experience and risk management, aiming for sustainable growth and profitability.

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	174	Sales Growth	41.9 %	Sales Growth	6.88 %
PEG Ratio	5.32	PAT Growth	98.77 %	Sales Growth QYoY	38.53 %
EV/EBITDA	30.6	EPS Growth	-91.58 %	PAT Growth	-103.97 %
P/B	3.71	Dividend Yield	0.52	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	29751 Cr
RoIC	11.1 %	Public	15.7 %	Enterprise value	47907 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 has laid out a comprehensive strategy to expand its product offerings and geographical reach. The company plans to transform into a multi-product lender, increasing its product portfolio from four to ten, with a phased launch of 400 new branches starting Q1 FY25-26. This expansion includes the introduction of six new product classes and the establishment of new locations. Notably, the company is set to launch an industry-first 24/7 Digital Prime Personal Loan, aiming to redefine personal lending by making it instant, fully digital, and accessible for prime salaried professionals. This initiative is expected to enhance the company's website acquisition strategy significantly.

The company is also focusing on diversifying its product offerings with the introduction of gold loans, consumer durables, used commercial vehicles, shopkeeper loans, and education loans. These products will be launched at scale across multiple locations in Q1 FY25-26. Additionally, Poonawalla Fincorp is venturing into equipment leasing to cater to the SME and commercial segments, capitalizing on the capex needs of industries like manufacturing, healthcare, and construction. This diversification is supported by a robust management team and a strategic focus on aligning products with customer needs through rigorous assessments.

Poonawalla Fincorp's future growth is underpinned by its commitment to leveraging AI and analytics to enhance customer experience, productivity, and risk efficiency. The company is collaborating with IIT Mumbai to drive innovation and has already implemented AI-driven solutions across various functions, including credit and risk management, collections, and digital marketing. The deployment of AI use-cases is expected to improve decision-making, reduce default rates, and enhance operational efficiency. The company's focus on AI and technology is complemented by a strong emphasis on risk management, with frameworks in place to ensure sustainable profitability.

While the company's growth trajectory is promising, there are areas for improvement. The recalibration of the STPL book and the focus on risk-adjusted performance are positive steps, but the company must continue to monitor and manage credit costs effectively. The integration of AI and technology presents opportunities for innovation, but also requires careful governance to mitigate risks. Overall, Poonawalla Fincorp's strategic initiatives and focus on diversification and technology position it well for future growth, with a strong potential for increased profitability and market presence.

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	88371.34	37.41	29.51%	5.31%	39.18%	11.19%	30.99%
Bajaj Finance	566349.95	35.43	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	314304.11	36.66	15.28%	-4.93%	10.34%	6.90%	3.40%
Poonawalla Fin	29751.27	173.96	15.55%	6.89%	38.61%	103.98%	-92.94%
Jio Financial	151652.85	94.39	1.27%	-36.79%	5.98%	-57.22%	0.33%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with a significant year-over-year growth of 41.9%. This indicates robust sales performance and effective market strategies, contributing to the company's financial health and potential for future expansion.
Profit & Loss	Operating profit and PAT have shown substantial growth, reflecting efficient cost management and revenue generation. However, quarterly PAT shows a decline, suggesting potential short-term challenges that need addressing.
Profitability Matrix	The company maintains a healthy operating profit margin of 39% and a high EBITDA margin of 59.29%, indicating strong operational efficiency. The net profit margin of 19.4% suggests effective cost control and profitability.
Valuation Matrix	The high trailing P/E ratio of 174 and PEG ratio of 5.32 suggest the stock may be overvalued, indicating high investor expectations. The EV/EBITDA of 30.6 and P/B of 3.71 reflect market confidence in the company's growth prospects.
Growth (YoY)	Year-over-year growth is impressive, with sales up by 41.9% and PAT nearly doubling. However, the EPS growth is negative, indicating potential dilution or increased share count, which may concern investors.
Growth (QoQ)	Quarterly growth shows a moderate sales increase of 6.88%, but a significant decline in PAT, suggesting short-term profitability issues. This may require strategic adjustments to sustain growth momentum.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 15.6% and RoA of 5.38%. These metrics indicate efficient use of equity and assets to generate profits, supporting long-term financial stability.
Holdings	Promoter holding is strong at 62.5%, indicating confidence in the company's future. Institutional holdings are balanced, with FII at 9.99% and DII at 11.1%, reflecting diversified investor interest and stability.
Leverage	The debt/equity ratio of 2.28 suggests a high leverage level, which could pose risks if not managed properly. However, the market cap and enterprise value indicate strong market positioning and potential for growth.

Analyst viewpoint: Poonawalla Fincorp demonstrates promising growth potential in the short to mid-term, driven by strategic expansion and innovation within the sector. Quarter-over-quarter metrics highlight a commendable 6.88% sales growth, reflecting robust market strategies and effective customer engagement. The company's focus on diversification is evident as they broaden their lending portfolio from four to ten products, including innovative products like a 24/7 Digital Prime Personal Loan, indicating an agile response to evolving market needs and consumer demands. This expansion is supported by the planned launch of 400 new branches, which holds promise for scaling operational reach and enhancing customer connectivity. The integration of AI and data analytics, developed in collaboration with IIT Mumbai, is poised to further optimize operational efficiency, enabling superior risk management and customer experience improvement, which solidifies its competitive edge in an industry characterized by rapid technological adoption.

Despite a significantly high trailing P/E ratio of 174, which suggests a potential overvaluation and high market expectations, Poonawalla Fincorp's strategic focus on leveraging technology and expanding its product suite positions it favorably among peers. The consistent capital allocation, highlighted by a return on equity (RoE) of 15.6%, underscores prudent financial management supporting sustainable long-term growth. Moreover, the strong presence of promoter holdings at 62.5% indicates high internal confidence in the company's future performance. However, it is crucial to monitor the elevated debt-to-equity ratio of 2.28 to ensure financial stability while navigating this growth trajectory. Poonawalla Fincorp's strategic initiatives signal a vibrant growth outlook, positioned to harness operational efficiencies and market opportunities amid a rapidly transforming financial landscape.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclaimers:

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.

This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. 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 GOALZEN CAPITAL SERVICES PRIVATE LIMITED 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.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Terms & Conditions:

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

Payment and Renewal:

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

Limitation of Liability:

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

No Investment Advice:

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

Termination:

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

No Guarantee: While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

Review and Update: Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

Research Analyst Details:

Name: Robin Arya

Email: 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

Customer having any query/feedback/ clarification/ In case of grievances for any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to hello@goalfi.app

Website: goalfiresearch.smallcase.com