

Price: 362**Recommendation:** Buy**Industry:** Non Banking Financial**Sector:** Financial Services**Report Date:** 03-Apr-2025

Poonawalla Fincorp Limited is on a transformative path, focusing on AI-driven strategies and expansion. The company is enhancing customer experience and risk efficiency through AI in credit, risk management, and HR. It plans to expand its product portfolio and launch 400 new branches by FY25-26, including a 24/7 Digital Prime Personal Loan. With a projected AUM growth of 30%-40%, the company aims for robust profits by FY26-27, while managing AI integration and risk practices.

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	165	Sales Growth	41.9 %	Sales Growth	6.88 %
PEG Ratio	5.04	PAT Growth	98.77 %	Sales Growth QYoY	38.53 %
EV/EBITDA	29.6	EPS Growth	-91.58 %	PAT Growth	-103.97 %
P/B	3.52	Dividend Yield	0.55	PAT Growth QYoY	-92.94 %
Capital Allocation		Holdings		Leverage	
RoE	15.6 %	Promoter	62.4 %	Debt/Equity	2.28
RoA	5.38 %	FII	8.19 %	Debt	18294 Cr
RoCE	11.1 %	DII	11.8 %	Market Cap	28184 Cr
RoIC	11.1 %	Public	17.0 %	Enterprise value	46340 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 has embarked on a transformative journey with a focus on AI-driven strategies and a robust expansion plan. The company is adopting an AI-first approach across its business models, aiming to enhance customer experience, productivity, and risk efficiency. This includes deploying AI use-cases in credit and risk management, collections, digital marketing, compliance, audit, and HR. A notable initiative is the rollout of an industry-first Gen AI solution in HR, which has significantly reduced the time to offer, thereby increasing speed to market. The company is also developing an agentic-based employee conversational agent to further streamline HR processes. In credit and risk, AI techniques are being used to refine decision-making and scorecards, with the goal of reducing default rates and processing costs[0].

The company is expanding its product portfolio from four to ten, with plans to launch 400 new branches starting Q1 FY25-26. This includes the introduction of a 24/7 Digital Prime Personal Loan, which is set to redefine personal lending by offering a fully digital, instant borrowing experience for prime salaried professionals. Additionally, Poonawalla Fincorp is launching new products such as gold loans, consumer durables, used commercial vehicles, shopkeeper loans, and education loans. These products will be rolled out across multiple locations, with a focus on Tier-2 and Tier-3 cities. The company is also venturing into equipment leasing to cater to the SME and commercial segments, capitalizing on the capex needs of industries like manufacturing and healthcare[1][2].

Looking ahead, Poonawalla Fincorp is poised for significant growth, with a projected AUM growth of 30%-40% in the coming years. The company has already achieved a 41% year-on-year increase in AUM, reaching 30,984 crores as of December 2024. This growth is supported by a strategic focus on building a solid, profitable, and sustainable business. The company is confident in its ability to deliver robust profits by FY26-27, with an expected ROA of 3%-3.5%. The management team is committed to creating a sustainable business model by investing in 10-11 new products, which are expected to generate substantial AUM and profits[3][4].

While the company is on a positive trajectory, there are areas for improvement. The integration of AI and technology must be carefully managed to mitigate risks and ensure compliance with evolving regulations. Additionally, the company should continue to focus on refining its risk management practices to maintain a balanced secured and unsecured book. The successful execution of its expansion and diversification strategies will be crucial in achieving its ambitious growth targets. Overall, Poonawalla Fincorp's strategic initiatives and focus on innovation position it well for future success, but continuous monitoring and adaptation will be key to sustaining its growth momentum[5][6].

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
Muthoot Finance	95178.81	20.04	17.86%	7.43%	39.64%	8.95%	32.69%
Bajaj Finance	532840.81	33.34	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	307163.87	35.82	15.28%	-4.93%	10.34%	6.90%	3.40%
Poonawalla Fin	28184.04	164.79	15.55%	6.89%	38.61%	103.98%	-92.94%
Jio Financial	146366.85	91.08	1.27%	-36.79%	5.98%	-57.22%	0.33%

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 supports profitability, though EPS decline suggests potential dilution or increased shares impacting per-share earnings.
Valuation Matrix	The high P/E ratio suggests market optimism or overvaluation, while a moderate PEG ratio indicates growth potential. EV/EBITDA and P/B ratios reflect market confidence but warrant caution for potential overvaluation risks.
Growth (YoY)	Impressive sales and PAT growth demonstrate strong business expansion and profitability. However, the negative EPS growth indicates challenges in translating earnings into per-share value, possibly due to share dilution or other factors.
Growth (QoQ)	Quarterly sales growth is positive, but the significant decline in PAT suggests operational or market challenges impacting short-term profitability. This requires strategic adjustments to sustain growth momentum.
Capital Allocation	The company maintains a balanced capital allocation with decent RoE and RoA, indicating effective use of equity and assets. RoCE and RoIC figures suggest efficient capital utilization, supporting long-term value creation.
Holdings	Promoter holding is strong, indicating confidence in the company's prospects. Institutional holdings reflect market interest, while public holding suggests a diversified investor base, supporting stability and market perception.
Leverage	The debt/equity ratio indicates high leverage, which could pose financial risks if not managed properly. However, the market cap and enterprise value suggest strong market positioning, providing a buffer against leverage concerns.

Analyst viewpoint: Poonawalla Fincorp Limited is currently exhibiting robust growth metrics, making it an enticing proposition for investors with a short to mid-term horizon. The company has posted an impressive quarter-over-quarter sales growth of 6.88%, underpinned by strategic expansion initiatives such as the introduction of new products and a significant increase in branch count. Valuation metrics, though reflecting a high trailing P/E ratio, are buoyed by an optimistic market sentiment towards the firm's innovative approach. Their capital allocation demonstrates a strong return on equity, indicative of efficient equity usage driving growth. The company's focus on AI-driven strategies and expansion into Tier-2 and Tier-3 markets positions them as a formidable competitor, broadening their customer base, and enhancing market penetration.

However, while the appreciation is warranted, investors should remain cognizant of the high leverage ratios which could pose long-term financial risks if not managed prudently. Moreover, despite a projected AUM growth of 30%-40% in the coming years, the success of these ambitious goals will rely heavily on effective execution of their strategic plans. Overall, Poonawalla Fincorp's strategic initiatives and competitive positioning render it a profitable venture, though vigilant risk management and adaptation to market changes will be key to sustaining this trajectory.

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