

**Price:** 350

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 31-Mar-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. With a projected AUM growth of 30%-40%, Poonawalla Fincorp aims to become a leading multi-product lender, emphasizing innovation and AI-first principles.

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	159	Sales Growth	41.9 %	Sales Growth	6.88 %
PEG Ratio	4.88	PAT Growth	98.77 %	Sales Growth QYoY	38.53 %
EV/EBITDA	29.0	EPS Growth	-91.58 %	PAT Growth	-103.97 %
P/B	3.40	Dividend Yield	0.57	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	27265 Cr
RoIC	11.1 %	Public	17.0 %	Enterprise value	45421 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.

The company is expanding its product portfolio from four to ten, with a phase-wise launch of 400 new branches starting Q1 FY25-26. This includes the launch of a 24/7 Digital Prime Personal Loan, which is set to redefine personal lending by offering instant, fully digital loans to prime salaried professionals. The Gold loan product will be supported by the new branches, and four additional products will operate pan-India. The company is also venturing into equipment leasing to cater to the SME and commercial segments, addressing the capex needs of industries like manufacturing and healthcare. These initiatives are supported by a strong management team and a culture that emphasizes innovation, customer-first, and AI-first principles.

Looking ahead, Poonawalla Fincorp is poised for significant growth, with a projected AUM growth of 30%-40% in the coming years. The company is on track to achieve its guidance, with AUM already showing a positive trajectory, growing by 41% year-on-year. The focus on building scalable lending businesses across secured, unsecured, and digital domains is expected to yield robust profitability and risk-adjusted returns. The company is also enhancing its risk management capabilities through collaboration with IIT, leveraging AI for predictive risk modeling and automated campaign workflows. This strategic focus on AI and analytics is expected to drive efficiency and innovation, positioning the company for sustained growth and success.

While the company is making significant strides, there are areas for improvement. The recalibration of the STPL book has shown progress, but continuous monitoring and adjustments are necessary to maintain momentum. The company is also working on standardizing credit and collection processes across products and geographies to ensure consistency and efficiency. As the company scales, maintaining a balance between growth and risk management will be crucial. The focus on AI and technology-driven solutions is promising, but it requires careful governance and monitoring to mitigate potential risks. Overall, Poonawalla Fincorp's strategic initiatives and growth plans are well-aligned with its vision of becoming a leading multi-product lender, serving the aspirations of Bharat holistically.

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	95664.83	20.14	17.86%	7.43%	39.64%	8.95%	32.69%
Bajaj Finance	554518.65	34.69	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	320505.97	37.38	15.28%	-4.93%	10.34%	6.90%	3.40%
Poonawalla Fin	27265.37	159.42	15.55%	6.89%	38.61%	103.98%	-92.94%
Jio Financial	144543.57	89.94	1.27%	-36.79%	5.98%	-57.22%	0.33%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year, 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 yearly growth. However, quarterly PAT shows a decline, indicating potential short-term challenges or increased expenses that need addressing to sustain profitability.
Profitability Matrix	High operating and EBITDA margins demonstrate efficient cost management and strong operational performance. The net profit margin is healthy, reflecting effective pricing strategies and cost control, contributing to overall financial stability.
Valuation Matrix	The high trailing P/E ratio suggests market optimism about future growth, though it may also indicate overvaluation. The PEG ratio supports growth potential, while EV/EBITDA and P/B ratios provide insights into market valuation relative to earnings and book value.
Growth (YoY)	Yearly sales and PAT growth rates are impressive, showcasing the company's ability to expand and increase profitability. However, the negative EPS growth indicates potential dilution or increased share count, which may affect investor returns.
Growth (QoQ)	Quarterly sales growth is positive, reflecting ongoing business expansion. However, the negative PAT growth suggests challenges in maintaining profitability, possibly due to increased costs or temporary market conditions affecting earnings.
Capital Allocation	Return metrics like RoE, RoA, and RoCE indicate efficient capital use, generating satisfactory returns for shareholders. The company's focus on maintaining a balanced capital structure supports sustainable growth and financial health.
Holdings	Promoter holding is strong, indicating confidence in the company's prospects. Institutional holdings reflect market trust, while public holding provides liquidity. The share distribution suggests a balanced ownership structure supporting stability.
Leverage	The debt/equity ratio indicates a high leverage level, which could pose risks if not managed properly. However, the market cap and enterprise value suggest strong market positioning, while cash equivalents provide some liquidity cushion.

**Analyst viewpoint:** Poonawalla Fincorp Limited shines with promising growth prospects, driven by a robust expansion strategy and AI-centric innovations. The company achieved a strong quarterly sales growth of 6.88%, indicating its effectiveness in scaling operations and seizing market opportunities. With an ambitious plan to amplify its product offering from four to ten and to open 400 new branches by FY25-26, the company is well-positioned to capture a broader spectrum of the financial services market. In terms of valuation, the firm's high trailing P/E ratio reflects market confidence in its future growth potential, despite a slightly overvalued stance. Its strategic focus on AI for enhanced risk and credit management underscores a commitment to operational efficiency and customer satisfaction, setting the foundation for long-term growth.

Despite these advancements, Poonawalla Fincorp must address the short-term earnings variability as highlighted by a decline in quarterly PAT. This dip suggests challenges that could stem from increased operational expenses or market conditions. Maintaining a prudent balance between bold expansion plans and risk management will be vital as the company progresses. Nevertheless, the forward trajectory, backed by innovative technologies and a clear vision, makes Poonawalla Fincorp an attractive choice for investors seeking growth in the financial sector.

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

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