13 March 2026

Company update| Sector: NBFCs

# Poonawalla Fincorp

| BSE SENSEX | S&P CNX |
|---|---|
| 74,564 | 23,151 |

POONAWALLA FINCORP

| | |
|---|---|
| Bloomberg | POONAWAL IN |
| Equity Shares (m) | 813 |
| M.Cap.(INRb)/(USDb) | 331.4 / 3.6 |
| 52-Week Range (INR) | 570 / 280 |
| 1, 6, 12 Rel. Per (%) | -3/1/42 |
| 12M Avg Val (INR M) | 988 |

**Financials Snapshot (INR b)**

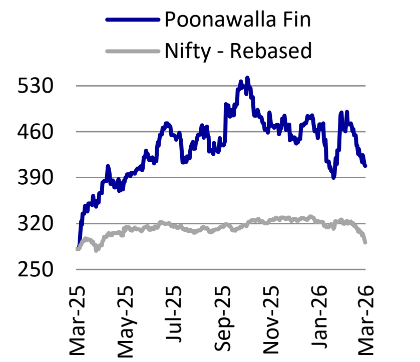
| Y/E March | FY26E | FY27E | FY28E |
|---|---|---|---|
| Net Total Income | 40.3 | 67.4 | 99.8 |
| PPOP | 19.4 | 37.2 | 58.0 |
| PAT | 5.4 | 16.6 | 28.1 |
| EPS (INR) | 6.7 | 18.0 | 30.5 |
| EPS Gr. (%) | - | 170 | 69 |
| Standalone BV (INR) | 126 | 186 | 214 |
| **Ratios** | | | |
| NIM on AUM (%) | 6.9 | 7.6 | 7.9 |
| C/I ratio (%) | 51.9 | 44.9 | 41.8 |
| RoAA (%) | 1.1 | 2.2 | 2.5 |
| RoE (%) | 5.9 | 12.2 | 15.3 |
| Payout (%) | 30.0 | 16.6 | 9.8 |
| **Valuations** | | | |
| P/E (x) | 61.1 | 22.6 | 13.4 |
| P/BV (x) | 3.2 | 2.2 | 1.9 |
| Div. Yield (%) | 0.5 | 0.7 | 0.7 |

**Shareholding pattern (%)**

| As On | Dec-25 | Sep-25 | Dec-24 |
|---|---|---|---|
| Promoter | 64.0 | 64.0 | 62.4 |
| DII | 12.2 | 12.3 | 11.8 |
| FII | 11.2 | 11.2 | 8.8 |
| Others | 12.6 | 12.6 | 17.0 |

FII Includes depository receipts

**Stock's performance (one year)**




**CMP: INR408 TP: INR560 (+37%) Buy**

## Strategic scale, operating leverage to drive profitability

**AUM poised for robust growth, supported by improving asset quality**

- Poonawalla Fincorp (PFL) has largely moved past its portfolio clean-up and balance sheet repair phase and is now transitioning into a structurally stable growth cycle, supported by a rebuilt operating platform.
- The company has re-architected its business model with deeper AI-led integration across underwriting, fraud detection, risk analytics, collections, and targeted marketing, enabling sharper credit selection, faster turnaround times and more efficient customer acquisition. As a result, PFL is witnessing strong traction across its newly launched product segments, with disbursement momentum accelerating across all its verticals. New businesses already contribute ~11% of AUM and ~20% of quarterly disbursements, highlighting rising customer acceptance, improving distribution throughput, and increasing diversification.
- The ~INR15b equity capital infusion by the promoter group in early FY26 underscores strong promoter commitment and provides incremental balance sheet comfort, reinforcing confidence in the company's long-term growth roadmap. In addition, we view the proposed ~INR55b capital raise as a proactive growth initiative rather than a balance sheet requirement. This equity capital will support management's ambition of delivering ~35-40% AUM CAGR over the medium term while accelerating expansion in secured lending segments such as gold loans, CV finance and MSME lending.
- Over the past two years, PFL has evolved into a management-led franchise, supported by stronger governance frameworks, institutionalized processes and a cultural reset that has materially improved PFL's execution credibility. The platform is no longer dependent on a single individual, with experienced vertical heads capable of managing significantly larger balance sheets, positioning the company for the next phase of scale-up under the leadership of MD & CEO Arvind Kapil.
- We believe PFL's diversified multi-product architecture, supported by a balanced mix of secured and unsecured lending, enhances earnings resilience and moderates credit cost volatility across cycles. The company continues to expand its product suite, distribution reach and geographic presence while leveraging AI-driven operating efficiencies to improve productivity without compromising asset quality. As profitability stabilizes and return ratios improve, this combination of disciplined growth and operating leverage should support gradual valuation re-rating over the medium term.
- PFL currently trades at 2.2x FY27E P/B, and we estimate AUM/PAT CAGR of ~46%/129% over FY26-FY28E, with RoA/RoE expected to reach ~2.5%/15% by FY28E. We reiterate our BUY rating with a target price of INR560 (based on 2.7x Dec'27E BVPS).


**Abhijit Tibrewal - Research Analyst** (Abhijit.Tibrewal@MotilalOswal.com)

**Research Analyst: Nitin Aggarwal** (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.Khemani@MotilalOswal.com)

## Strategic multi-product expansion fueling strong, diversified growth

- PFL is entering a new phase of growth, supported by sustained investments in branch expansion, digital infrastructure, and management capability. These initiatives have enabled a successful launch and a rapid scale-up of multiple lending verticals, including prime personal loans (~7.3% of AUM), gold loans (~1.2%), education loans (~1.1%), consumer durable loans (~0.6%) and commercial vehicle loans (~1.1%). Together, these businesses are expanding the company's presence across both secured and unsecured retail lending segments while strengthening the breadth of its product portfolio.
- The company's multi-product, multi-channel strategy is aimed at building a diversified and scalable retail franchise. In 3QFY26, these new products contributed ~11% to AUM and ~20% to total disbursements, highlighting early traction and a gradual increase in portfolio diversification. This growth is supported by a robust distribution ecosystem spanning digital platforms, physical branches, dealer networks and advisor partnerships, which not only supports product scale-up but also enhances cross-selling opportunities.
- High-velocity products such as consumer durable loans help build a large customer funnel, while long-tenure products like education loans enhance customer lifetime value and relationship depth. These new businesses complement PFL's core portfolio, which continues to account for ~89% of AUM, and together position the company to deliver strong AUM growth of ~46% over FY26E-FY28E while improving portfolio diversification, strengthening customer engagement, and supporting sustained profitability.

## AI- led transformation unlocking operating leverage

- Artificial intelligence is emerging as a key pillar of PFL's operational transformation, enabling the company to enhance productivity, strengthen governance and improve customer experience while building a scalable, data-driven operating platform. AI integration across the lending lifecycle is improving underwriting quality, automating KYC and document validation processes, and enabling multilingual customer engagement via conversational bots. At an organizational level, internal tools such as BuildBuddy and DartGenie are accelerating application development and enabling faster data-driven insights, allowing teams to focus more on strategic and value-added initiatives.
- Importantly, these technology investments are translating into tangible operating efficiencies. Despite ongoing expansion in its branch network and geographic footprint, PFL expects structural and AI-led productivity gains to drive a meaningful improvement in operating efficiency, with the cost-to-income ratio projected to decline from ~52% in FY26E to ~42% by FY28E, alongside a gradual reduction in the opex-to-AUM ratio.

## Diversified credit mix to support stable asset quality and earnings stability

- PFL continues to reposition its loan portfolio toward a more granular, retail-driven and diversified structure, with a deliberate increase in secured and prime borrower segments to reduce credit volatility across cycles. The company has guided for a gradual moderation in credit costs, supported by the rising contribution from relatively lower-risk segments such as gold loans, education loans and loan against property (LAP), which should enhance portfolio resilience over time.

- Although reported credit costs stood at ~2.6% in 3QFY26, largely attributed to the instant personal loan segment, its core portfolios' credit costs remain stable in the ~1.4-1.5% range. Importantly, portfolio-level six-month-on-book 30+ delinquencies have eased meaningfully, reflecting improved underwriting discipline in recent vintages. Asset quality trends remain encouraging, with unsecured salaried loans reporting 6 MoB 30+ dpd of only ~0.4%, reinforcing confidence in a structurally strengthening credit profile. As the portfolio mix continues to shift toward secured and prime segments, we expect credit costs to decline from ~2.6% in FY26E to ~2% in FY27 and further to ~1.9% in FY28.

## Valuation and view

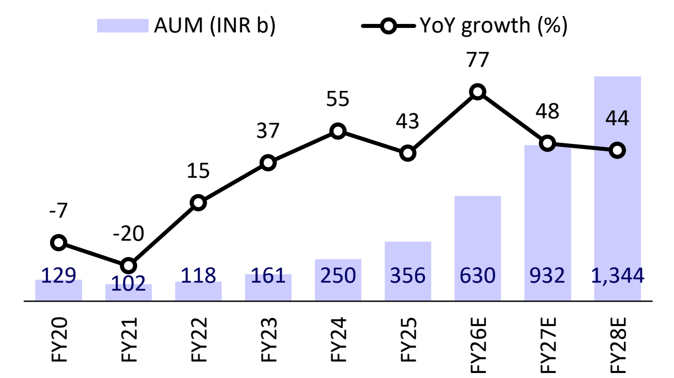
- We believe PFL is evolving into a structurally stronger, digitally enabled, and well-diversified retail NBFC, supported by disciplined growth execution, improving asset quality and visible operating leverage. The company's calibrated shift toward secured and prime lending segments, combined with an improving bias in margins and a gradual moderation in credit costs, should enhance its earnings visibility while reducing volatility across cycles. At the same time, sustained investments in technology, AI and governance frameworks are driving productivity gains and improving operational efficiency, even as the company continues to expand its branch network and geographic footprint.
- PFL currently trades at 2.2x FY27E P/B, and we estimate AUM/PAT CAGR of ~46%/129% over FY26-FY28E, with RoA/RoE expected to reach ~2.5%/15% by FY28E. We reiterate our BUY rating with a target price of INR560 (based on 2.7x Dec'27E BVPS).

**Exhibit 1: Valuation matrix of PFL and its peers**

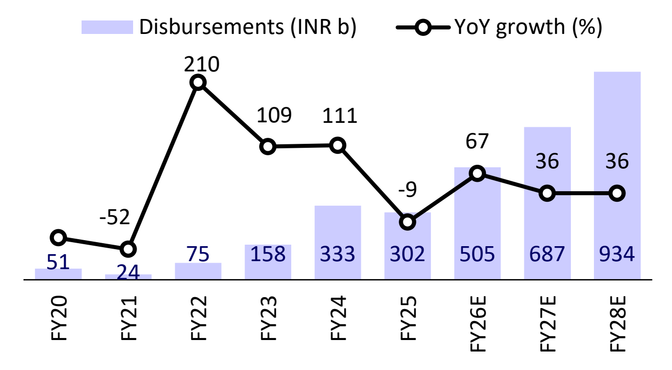
| Val summary | Rating | CMP (INR) | MCap (INRb) | EPS (INR) | | BV (INR) | | RoA (%) | | RoE (%) | | P/E (x) | | P/BV (x) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| **Poonawalla** | **Buy** | **408** | **320** | **18.0** | **30.5** | **186** | **214** | **2.2** | **2.5** | **12.2** | **15.3** | **22.6** | **13.4** | **2.2** | **1.9** |
| BAF | Neutral | 855 | 5,361 | 41.0 | 51.5 | 220 | 264 | 4.1 | 4.2 | 20.2 | 21.3 | 20.9 | 16.6 | 3.9 | 3.2 |
| ABCL | Buy | 310 | 838 | 19.9 | 25.3 | 146 | 167 | - | - | 14.4 | 16.2 | 15.6 | 12.3 | 2.1 | 1.9 |
| LTFH | Buy | 258 | 662 | 15.9 | 20.3 | 124 | 141 | 2.6 | 2.7 | 13.5 | 15.4 | 16.2 | 12.7 | 2.1 | 1.8 |
| Piramal Finance | Buy | 1,744 | 402 | 107.2 | 183.9 | 1,353 | 1,511 | 1.9 | 2.7 | 8.2 | 12.8 | 16.3 | 9.5 | 1.3 | 1.2 |
| MAS Financial | Buy | 303 | 55 | 25.0 | 30.2 | 181 | 208 | 2.8 | 2.9 | 14.7 | 15.5 | 12.1 | 10.0 | 1.7 | 1.5 |
| IIFL Finance | Buy | 476 | 204 | 51.7 | 66.4 | 373 | 433 | 2.4 | 2.6 | 14.8 | 16.5 | 9.2 | 7.2 | 1.3 | 1.1 |
| HDB Financial | Neutral | 642 | 539 | 38.4 | 46.6 | 290 | 337 | 2.4 | 2.5 | 14.2 | 14.9 | 16.7 | 13.8 | 2.2 | 1.9 |
| Jio Financial | Buy | 235 | 1,539 | 3.6 | 5.4 | 248 | 272 | 2.0 | 2.4 | 4.6 | 7.1 | 64.6 | 43.9 | 0.9 | 0.9 |
| Northern Arc | Buy | 221 | 40 | 33.1 | 43.1 | 270 | 313 | 3.0 | 3.2 | 13.0 | 14.8 | 6.7 | 5.1 | 0.8 | 0.7 |

## Story in charts

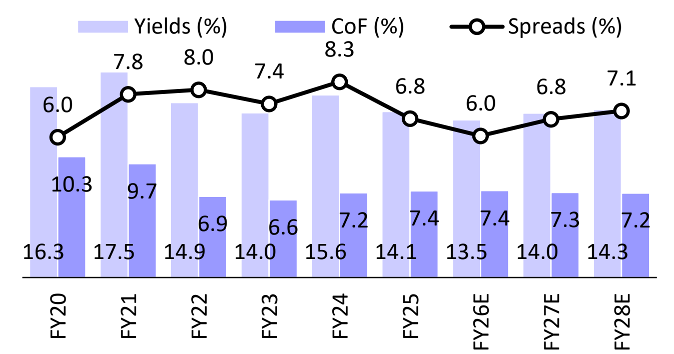
### Exhibit 2: Expect AUM CAGR of ~46% over FY26-FY28E



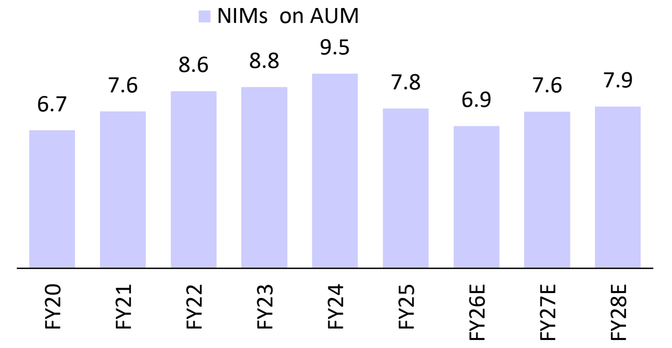

### Exhibit 3: Disbursements CAGR of ~36% over FY26-FY28E



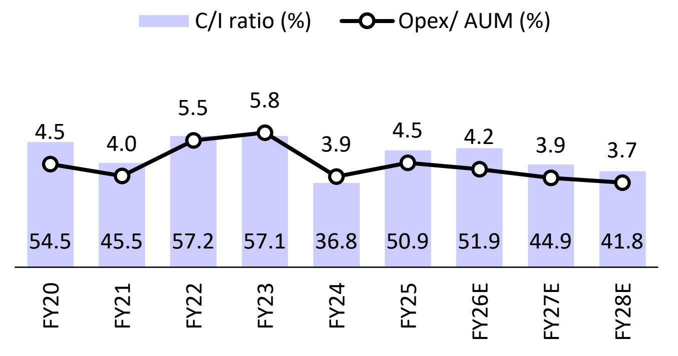

### Exhibit 4: Spreads to improve in FY27E/FY28E



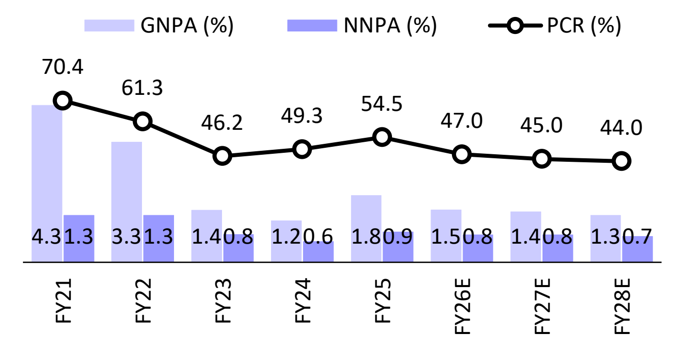

### Exhibit 5: Expect NIMs to reach ~7.9% by FY28E (%)




### Exhibit 6: CI ratio expected to decline to ~42% by FY28E

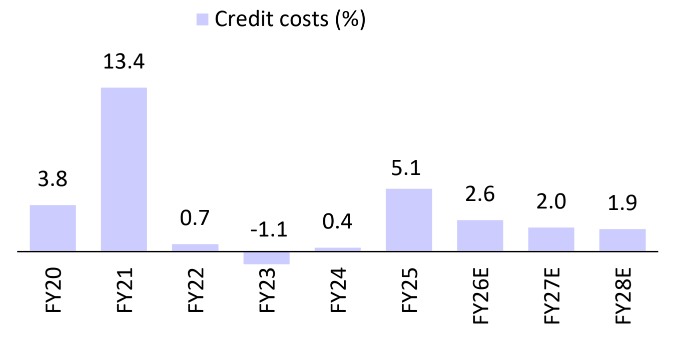



### Exhibit 7: Expect further improvement in asset quality



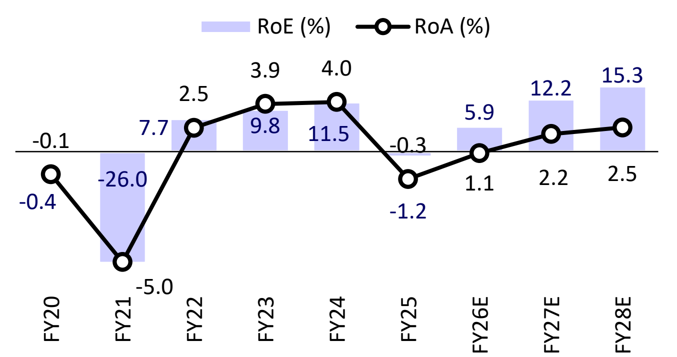

Source: MOFSL, Company

### Exhibit 8: Credit costs to decline sharply to ~2% in FY27E




Source: MOFSL, Company

### Exhibit 9: Expect RoA/RoE of 2.5%/15% in FY28E




Source: MOFSL, Company

## Multi-engine expansion reshaping the retail franchise

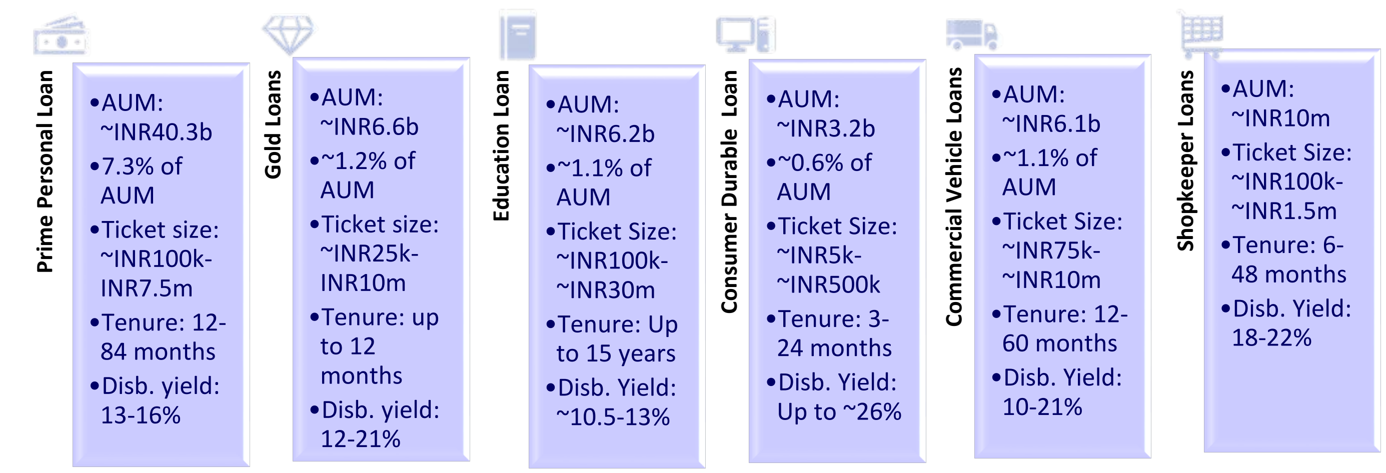
### New product lines contribute ~20% to total disbursements

- PFL has entered a new phase of growth, underpinned by investments in branch expansion, technology infrastructure, and management depth. These investments have enabled a successful incubation and a rapid scale-up of multiple lending verticals across consumer durables, education loans, gold loans, prime personal loans (PL), CV and shopkeeper loans (currently small part of the portfolio).
- The company's strategy is built on a multi-product, multi-channel model aimed at creating a geographically diversified, scalable, and balanced retail franchise across secured and unsecured lending. In 3QFY26, new products contributed ~11% to AUM and ~20% to total disbursements, highlighting strong early traction and increasing portfolio diversification.

### Distribution-led scale-up and cross-selling architecture

- To support this growth, PFL has built multiple distribution engines, digital channels, DSAs, physical branches, dealer networks, and counsellor-led partnerships.
- Each new product has been structured not only as a standalone vertical but also as a feeder channel for cross-selling. High-velocity products such as consumer durable loans are designed to build a large customer funnel, while long-tenure offerings like education loans enhance lifetime value.
- The digital lending platform provides seamless pan-India onboarding, unrestricted by pin codes, with 24x7 availability enhancing customer convenience and operating efficiency. Over time, this architecture is expected to reduce acquisition costs, deepen multi-product relationships, and improve customer stickiness, strengthening long-term profitability.

**Exhibit 10: Newly launched, well diversified segments as of Dec'25**




Source: Company, MOFSL

## The details of the newly launched segments are as follows:

### Prime Personal Loans

- The prime personal loan business, launched in Aug'24, has scaled up steadily, driven by strong demand from high-quality salaried professionals.
- A key differentiator in the PL Prime offering is the 24x7 fully digital variant, which enables eligible customers to access loans of up to ~INR1.5m in ~15 minutes. Digital penetration continues to improve, with ~28% of disbursements processed without manual intervention (up from ~26% in ~2QFY26).
- Growth momentum remains robust, with average monthly disbursements of INR4.3b in 3QFY26, reflecting strong market acceptance. The portfolio profile remains tightly controlled, with over ~70% of customers having bureau scores above 750 and largely comprising salaried individuals from Category A corporates earning more than INR75k per month.

### Gold Loans

- PFL has expanded into retail gold loans with a focused presence across Tier-2 and Tier-3 markets. The product offers ticket sizes ranging from INR25k to INR10m with tenures of up to 12 months and is distributed through dedicated gold loan branches.
- The business is scaling up rapidly, with a clear roadmap to expand to ~400 focused branches by Mar'26. The current network spans Gujarat, Haryana, Rajasthan, and Maharashtra, with expansion underway in Karnataka and Odisha. About ~95% of sourcing is from Tier-2 and Tier-3 locations, aligning with the company's strategy of deepening presence in underpenetrated markets.
- Strategically, gold loans strengthen the secured lending mix and aid in building a recession-resilient portfolio.

### Education Loans

- PFL's education loan business offers flexible financing for higher studies in India and abroad, with loan amounts ranging from INR100k to INR30m. The product is distributed through a growing network of education consultants, enabling students to access long-tenure financing solutions.
- The education loan business has gained early traction, logging over ~16k applications (in nine months) and disbursing ~INR1.2b in Dec'25. The consultant network has expanded to over 325 partners, supported by 225+ dedicated sales team, and is targeted to exceed to 500 partners and 50 locations by the end of FY26. The focus remains on postgraduate and international students from top-tier institutions, backed by strong parental credit.
- Education loans represent a high-potential, long-tenure segment that enhances portfolio stickiness and creates future cross-selling opportunities within the broader retail franchise.

**Exhibit: Significant progress in the newly launched businesses across quarters**

| Quarters | 1QFY26 | 2QFY26 | 3QFY26 |
|---|---|---|---|
| PL Prime | Disbursement run rate ~INR3b in Jun'25 | Average monthly disbursement ~INR4b | Average monthly disbursement ~INR4.3b |
| Gold Loan | 80 branches | 160 branches | On track to launch ~400 branches by Mar'26 |
| Consumer Durable | 3000+ dealers across ~160 locations | 10000+ dealers across 190 locations | 10500+ dealers across 190 locations |
| CV | 200+ partners across 27 locations / 10 states | 450 partners across 49 locations/ 12 states | 700 partners across 55 locations/ 12 states |
| Education | ~150+ sales team and ~100 partners including key consultants | ~200+ sales team and ~200 partners including key consultants | ~225+ sales team with ~325 partners including key consultants |

Source: Company, MOFSL

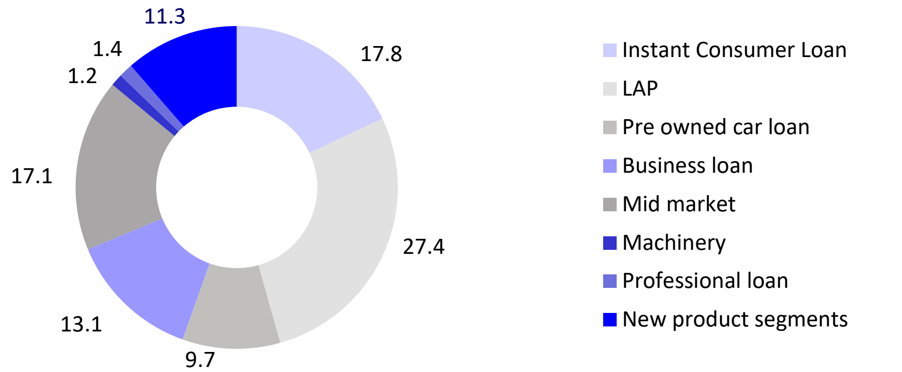
## Consumer Durable Loans

- The consumer durable lending business provides instant EMI financing for appliances, electronics, and home upgrades, with ticket sizes ranging from INR5k to INR500k. The product is distributed through over ~10.5k dealer points across ~190 locations, primarily in Tier-2 and Tier-3 cities. Digital channels play a key role in sourcing, supporting fast, unsecured loan disbursals.
- The franchise is scaling up rapidly, targeting 12k+ dealer outlets by Mar'26. Strategically, the segment is designed to build a large, engaged retail customer base, enhance repeat usage through EMI cards, and create cross-selling opportunities across the broader lending portfolio.

## Commercial Vehicle Loans

- The CV lending business provides financing for both new and used vehicles, with loan sizes starting at INR75k for used CVs (~75% of the portfolio) and INR100k for new CVs, extending up to INR10m, and tenures ranging from 12 to 60 months.
- The product is fully collateral-backed and distributed through a mix of channel partners, direct business, and digital onboarding via mobility solutions. The focus is on transport entrepreneurs in Tier-2 and Tier-3 markets, combining secured lending with attractive yields.
- The network now spans 55 strategic locations across 12 states, supported by over 700 channel partners. The CV business maintains strong asset quality, with a fully secured, income-linked portfolio and no accounts crossing 30 DPD.

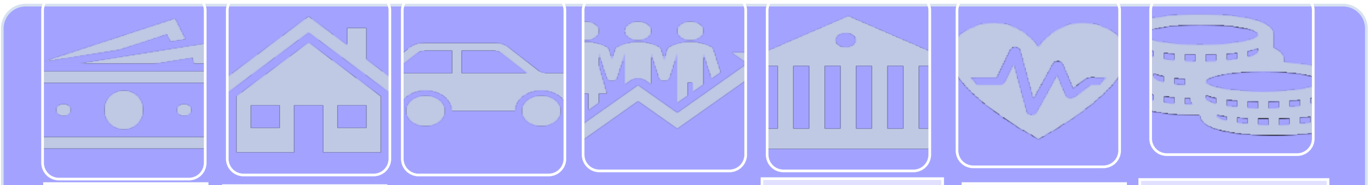
**Exhibit 10: New loans contributed ~11% of AUM and ~20% to the 3QFY26 disbursements**




Source: MOFSL, Company

**These new businesses are integrated with PFL's existing portfolio, which continues to contribute ~89% of total AUM.**

**Exhibit: New product portfolio to be complemented by the existing businesses**



**Instant consumer loan**
- INR98b (18% of total AUM)
- Ticket size: ~INR50k-INR500k
- Tenure: 6-36 months
- Disb Yield: 24-29%
- Salaried/self-employed customers
- Digital partnership/ organic led sourcing

**Loan against property**
- INR151b (27% of total AUM)
- Ticket size: ~INR5.1m-INR250m
- Tenure: 3Y-15Y
- Disb Yield: 9.75-12%
- Self-employed and MSME customers
- DSA + direct sourcing

**Pre-owned car loan**
- INR53.5b (10% of total AUM)
- Ticket size: ~INR200k-INR7.5m
- Tenure:12-72 months
- Disb Yield: 14-16%
- Primarily repurchase customers
- DSA + dealers based sourcing

**Business Loan**
- INR72b (13% of total AUM)
- Ticket size: ~INR0.5m-INR10m
- Tenure: 6-60 months
- Disb Yield: 18-22%
- Self-employed and MSME customers
- Primarily DSA-led sourcing

**Mid- market loans**
- INR94b (17% of AUM)
- Ticket size: ~INR200m-INR500m
- Tenure: up to 36 months
- Disb Yield: 10-12%
- Well rated corporates and NBFCs
- Sourced via direct and other lending relationships

**Machinery & Medical Equipment Loan**
- INR6.6b (1.2% of AUM)
- Ticket Size: ~INR200k-INR100m
- Tenure: 12-84 months
- Disb Yield : 9.5-14%
- SME customers
- Sourced via DSAs and OEMs

**Professional Loan**
- INR7.6b (~1.4% of total AUM)
- INR500k-INR7.5m
- Tenure: 12-60 months
- Disb Yield: 12-14%
- Doctors and CAs
- Digital partnership and DSA sourcing

Source: Company, MOFSL

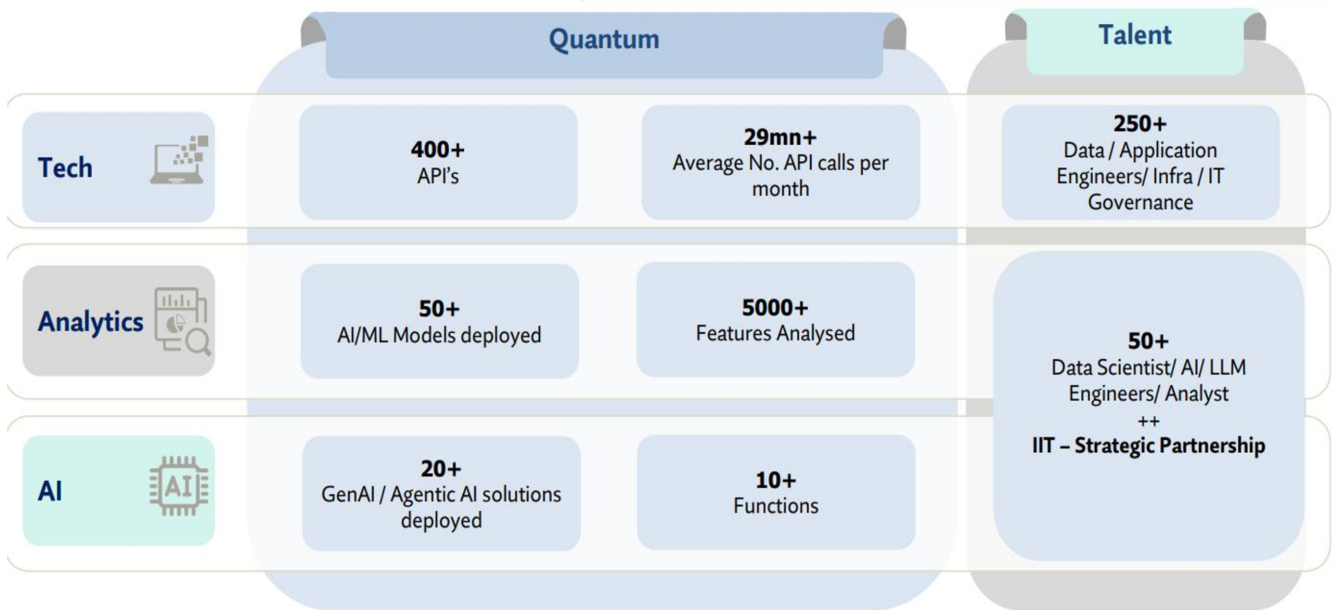
- Collectively, these businesses are reshaping PFL's portfolio into a diversified, scalable, and risk-calibrated retail franchise. With multiple growth engines operating at different stages of maturity, the company is well positioned to sustain strong AUM momentum while maintaining portfolio resilience and improving profitability over the medium term. We expect PFL to deliver an AUM CAGR of ~46% over FY26-28E.

## Tech-enabled operating model enhancing productivity and profitability

**Operating leverage to drive sustained decline in opex-to-AUM ratio**

- AI remains a central pillar of PFL's operating model transformation, enabling the company to enhance productivity, strengthen governance, and deliver seamless stakeholder experiences while building a scalable, data-driven financial platform.
- A structured governance framework anchors all AI deployments, aligned with the regulator-defined 'Seven Sutras', ensuring safety, accuracy, and consistency in execution. The execution momentum has been strong: Of the 57 AI solutions identified, 30 are already live and 27 are under implementation, with 12 new initiatives launched during 3QFY26.
- In risk and credit, AI adoption is materially enhancing underwriting quality and control discipline. Credit AI is fully embedded in personal loan underwriting, enabling underwriters to focus on risk judgment rather than manual processing. A new AI-led risk hindsight framework automates document interpretation, validation, and audit trails, while a centralized KYC AI platform strengthens upfront validation, reduces manual intervention by ~15%, and improves TAT.
- Beyond risk, AI is reshaping customer acquisition and servicing. A multilingual AI conversational agent initiates outbound engagement, screens eligibility, captures data, and routes customers intelligently, improving productivity and conversion rates. AI-powered chat and WhatsApp bots handle routine sales and service interactions, escalating only complex cases to human teams.
- Internally, BuildBuddy accelerates application development through AI-assisted coding and refactoring, while DartGenie enables natural language data queries, democratizing insights across operations and HR. AI-enabled HR agents automate contextual employee workflows, freeing teams to focus on strategic priorities.

**Exhibit: Capabilities evolved for scale**




Source: Company, MOFSL

- These technology-led initiatives are now translating into tangible financial outcomes. PFL has reiterated that both the CI ratio and opex-to-average AUM ratio are expected to improve directionally over time. The operating model, integrating digital platforms with an expanding partner ecosystem, has been designed to deliver structural efficiencies across products. Despite widening its physical footprint, the company continues to guide for a gradual moderation in opex ratios, reflecting confidence in productivity gains.

**Exhibit 11: CI ratio expected to decline to ~42% by FY28E**

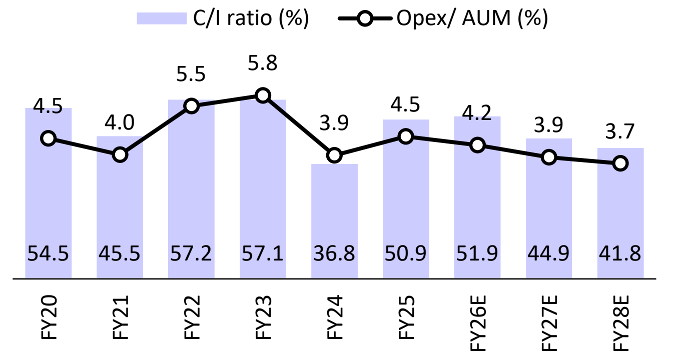
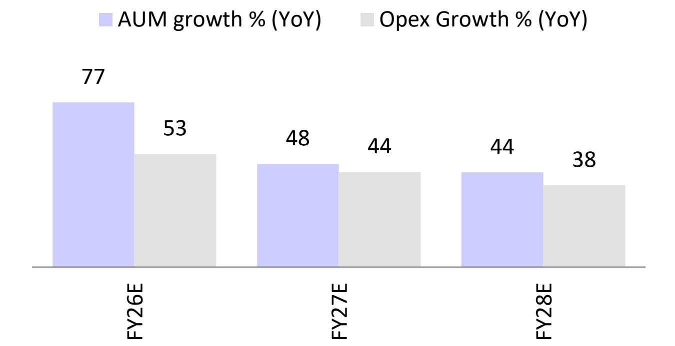



**Exhibit 12: AUM growth to outpace opex growth**




- Overall, PFL appears well positioned to convert its digital investments into sustained margin expansion. This digital transformation is expected to yield significant cost efficiencies over the next 12-18 months, structurally improving PFL's CI ratio. We expect PFL's CI ratio to decline from ~51.9% in FY26E to ~41.8% in FY28E, accompanied by a reduction in the opex-to-AUM ratio over the same period.

## Granular lending to drive asset quality stability

**Shift to secured and prime products poised to structurally lower credit costs**

- PFL continues to realign its lending franchise around a granular, retail-focused, and diversified portfolio, with a clear emphasis on building structural resilience across economic cycles. The company's risk philosophy is centered on reducing volatility in credit costs through a calibrated shift toward secured and prime segments while maintaining measured exposure to unsecured products.
- The company reiterated that credit costs are expected to trend downward over the medium term, largely driven by a rising contribution from lower-risk products such as gold loans, education loans, salaried PL and LAP (expected to be ~50-60% of the portfolio going forward).
- The legacy STPL book continues to run down (~<2% of AUM as of Dec'25). Additionally, first EMI bounce rates in the recalibrated STPL pool have improved by ~70%, alongside ~40% improvement in collection efficiencies.
- The credit costs in 3QFY26 stood at ~2.6%, largely influenced by the instant personal loan segment; excluding this, most other products operate within a stable ~1.4-1.5% range. Asset quality indicators remain strong across all segments. CV finance reports no 30+ dpd accounts; unsecured salaried loans witness 6 MoB 30+ DPD of 0.4%; and consumer durable loans have early-bucket delinquencies under 0.2%. LAP LTVs are maintained at ~45-50% with ~85% of consumer borrowers having bureau scores above 750. Education loans target high-quality students backed by credible parental support.

**Exhibit 13: Expect further improvement in asset quality**

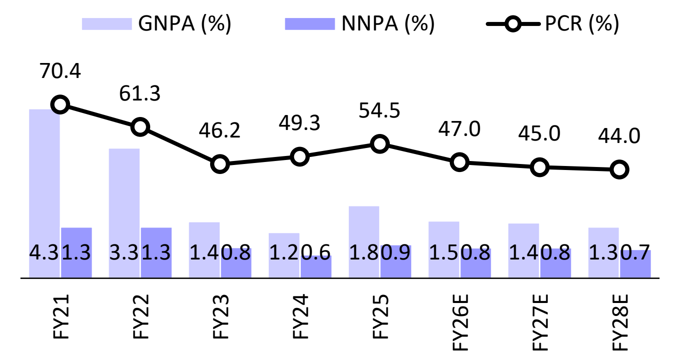
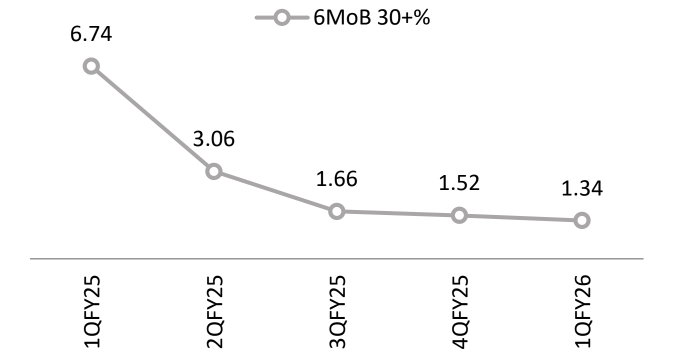
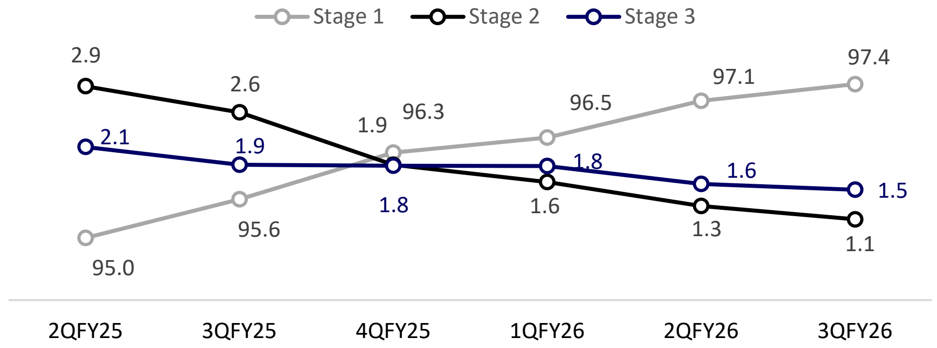



**Exhibit 14: 6-MoB improving continuously (quarter denotes sourcing quarter)**




- PFL emphasized that portfolio credit cost is a function of product mix rather than stress in any single segment. As the mix shifts toward secured, salaried, and prime borrowers over the next 3-5 years, portfolio-level credit costs are expected to moderate structurally, supporting sustainable RoA and improved earnings stability. We expect credit costs to witness a sharp decline from 2.6% in FY26 to 2.0%/1.9% in FY27/FY28E.

**Exhibit 15: Stage 1 improving continuously**




Source: MOFSL, Company

## Proposed capital raise to structurally reinforce growth capacity

- PFL's capital raise should be interpreted as a forward-looking growth initiative rather than a measure to repair the balance sheet. The promoter has infused INR15b at INR452.5/share, underscoring long-term commitment and alignment with minority shareholders.
- In addition, the company is raising INR55b through a QIP, materially augmenting its capital base. The aggregate INR70b infusion provides meaningful balance sheet capacity to support its targeted 35-40% medium-term AUM CAGR, accelerate scaling of secured segments such as gold loans, CV and MSME, and maintain comfortable capital adequacy buffers while preserving underwriting discipline. Importantly, this capital positions the company to pursue growth opportunities without stretching leverage, thereby enabling sustainable RoA expansion over time.
- After the transaction, promoter shareholding is expected to moderate to ~56% from 64%, reflecting dilution from the INR55b QIP while retaining majority control. This structure preserves promoter alignment and strategic oversight while broadening institutional ownership and improving free float.

## Valuation and view

- We believe that PFL is evolving into a structurally stronger, digitally enabled, and well-diversified retail NBFC, underpinned by disciplined growth, strengthening asset quality and visible operating leverage. The company's calibrated pivot toward secured and prime segments and expected moderation in credit costs enhance earnings visibility and reduce volatility across cycles. Simultaneously, sustained investments in technology, AI and governance frameworks are driving productivity gains, even as the branch network and geographic footprint expand.
- PFL currently trades at 2.2x FY27E P/B, and we estimate AUM/PAT CAGR of ~46%/129% over FY26-FY28E, with RoA/RoE expected to reach ~2.5%/15% by FY28E. We reiterate our BUY rating with a target price of INR560 (based on 2.7x Dec'27E BVPS).

**Exhibit 16: RoA Tree**

| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| Interest Income | 15.1 | 12.6 | 11.8 | 13.8 | 13.1 | 12.9 | 13.6 | 14.0 |
| Interest Expended | 7.5 | 4.4 | 3.9 | 4.5 | 5.1 | 5.8 | 5.8 | 5.8 |
| **Net Interest Income** | **7.6** | **8.2** | **8.0** | **9.3** | **8.0** | **7.1** | **7.8** | **8.1** |
| Other Operating Income | 0.8 | 0.7 | 0.8 | 1.0 | 1.0 | 1.3 | 1.0 | 0.9 |
| Other Income | 0.2 | 0.3 | 0.5 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Net Income** | **8.6** | **9.1** | **9.2** | **10.4** | **9.1** | **8.4** | **8.8** | **9.0** |
| Operating Expenses | 3.9 | 5.2 | 5.3 | 3.8 | 4.6 | 4.3 | 4.0 | 3.8 |
| **Operating Income** | **4.7** | **3.9** | **4.0** | **6.6** | **4.5** | **4.0** | **4.9** | **5.2** |
| Provisions/write offs | 11.3 | 0.6 | -0.9 | 0.3 | 4.9 | 2.5 | 2.0 | 1.9 |
| **PBT** | **-6.6** | **3.3** | **4.9** | **6.3** | **-0.5** | **1.5** | **2.9** | **3.4** |
| Tax | -1.7 | 0.8 | 1.2 | 2.3 | -0.1 | 0.4 | 0.7 | 0.8 |
| **Reported PAT** | **-5.0** | **2.5** | **3.7** | **4.0** | **-0.3** | **1.1** | **2.2** | **2.5** |
| Avg leverage | 5.2 | 3.0 | 2.5 | 2.9 | 3.6 | 5.3 | 5.6 | 6.0 |
| **RoE** | **-26.0** | **7.7** | **9.4** | **11.5** | **-1.2** | **5.9** | **12.2** | **15.3** |

**Exhibit 17: PE chart**

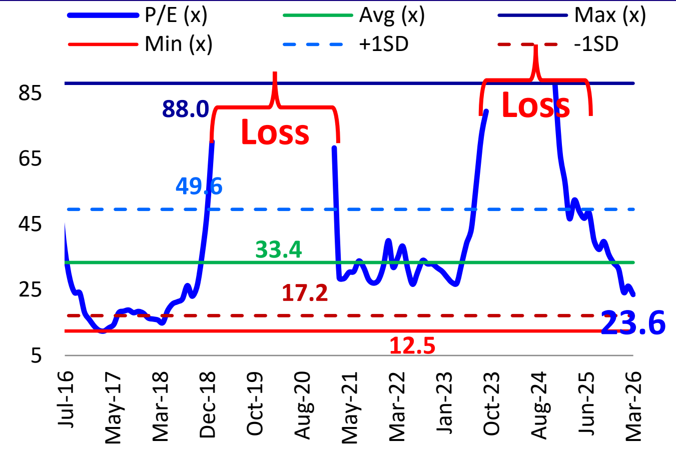
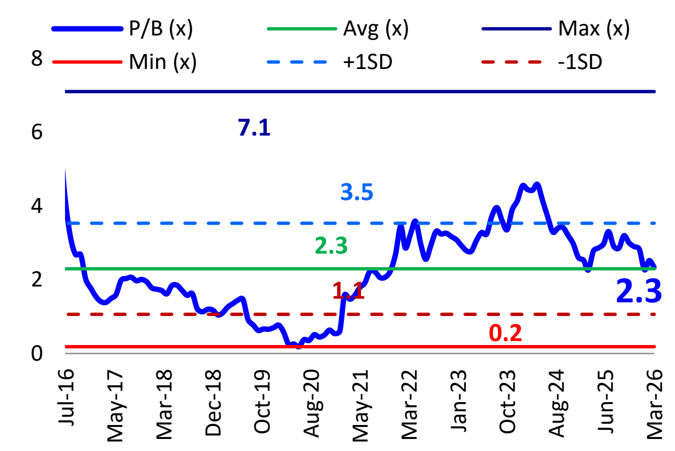



**Exhibit 18: PB chart**



# Financials and Valuation

| Income Statement | | | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| Interest Income | 20,228 | 17,570 | 14,586 | 18,265 | 29,041 | 38,745 | 62,230 | 1,03,601 | 1,54,304 |
| Interest Expenses | 11,240 | 8,746 | 5,093 | 5,953 | 9,551 | 15,151 | 28,067 | 44,037 | 64,592 |
| **Net Interest Income** | **8,988** | **8,824** | **9,493** | **12,312** | **19,490** | **23,594** | **34,163** | **59,564** | **89,712** |
| Change (%) | -11.8 | -1.8 | 7.6 | 29.7 | 58.3 | 21.1 | 44.8 | 74.4 | 50.6 |
| Non-interest income and Other Income | 1,962 | 1,199 | 1,085 | 1,931 | 2,478 | 3,346 | 6,163 | 7,812 | 10,041 |
| **Net Total Income** | **10,951** | **10,023** | **10,578** | **14,243** | **21,967** | **26,940** | **40,326** | **67,376** | **99,753** |
| Change (%) | -12.4 | -8.5 | 5.5 | 34.6 | 54.2 | 22.6 | 49.7 | 67.1 | 48.1 |
| **Total Operating Expenses** | **5,968** | **4,563** | **6,046** | **8,139** | **8,074** | **13,713** | **20,937** | **30,219** | **41,745** |
| Change (%) | -0.8 | -23.5 | 32.5 | 34.6 | -0.8 | 69.8 | 52.7 | 44.3 | 38.1 |
| Employee Expenses | 3,741 | 3,060 | 4,099 | 5,148 | 4,444 | 6,362 | 10,561 | 15,314 | 20,827 |
| Depreciation | 716 | 522 | 495 | 614 | 593 | 651 | 937 | 1,125 | 1,350 |
| Other Operating Expenses | 1,487 | 981 | 1,453 | 2,268 | 3,036 | 5,755 | 9,439 | 13,780 | 19,568 |
| **PPoP** | **4,982** | **5,460** | **4,532** | **6,104** | **13,894** | **13,228** | **19,389** | **37,157** | **58,008** |
| Change (%) | -23.1 | 9.6 | -17.0 | 34.7 | 127.6 | -4.8 | 46.6 | 91.6 | 56.1 |
| **Total Provisions** | **4,640** | **13,186** | **686** | **-1,445** | **720** | **14,582** | **12,212** | **14,979** | **20,480** |
| **PBT** | **342** | **-7,727** | **3,846** | **7,761** | **13,173** | **-1,354** | **7,177** | **22,177** | **37,528** |
| Exceptional items | | | | | 12,212 | 0 | 0 | 0 | 0 |
| Tax Provisions | 442 | -1,943 | 914 | 1,816 | 4,827 | -371 | 1,794 | 5,544 | 9,382 |
| **PAT (excl. exceptional)** | **-100** | **-5,784** | **2,932** | **5,945** | **8,347** | **-983** | **5,383** | **16,633** | **28,146** |
| **PAT (incl. exceptional)** | **-100** | **-5,784** | **2,932** | **5,945** | **20,559** | **-983** | **5,383** | **16,633** | **28,146** |

| Balance Sheet | | | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| Equity Share Capital | 539 | 539 | 1,530 | 1,536 | 1,541 | 1,546 | 1,612 | 1,844 | 1,844 |
| Reserves & Surplus | 24,614 | 18,881 | 55,615 | 62,711 | 79,623 | 79,694 | 1,00,010 | 1,69,800 | 1,95,180 |
| **Net Worth** | **25,153** | **19,421** | **57,145** | **64,247** | **81,164** | **81,240** | **1,01,622** | **1,71,643** | **1,97,024** |
| **Borrowings** | **1,00,595** | **79,487** | **67,734** | **1,12,092** | **1,52,157** | **2,58,806** | **4,98,735** | **7,16,083** | **10,78,144** |
| Change (%) | | | | | | | | | |
| Other liabilities | 3,803 | 4,512 | 3,217 | 3,880 | 7,041 | 9,747 | 14,621 | 20,469 | 27,634 |
| **Total Liabilities** | **1,29,552** | **1,03,420** | **1,28,097** | **1,80,218** | **2,40,362** | **3,49,793** | **6,14,979** | **9,08,196** | **13,02,801** |
| **Loans** | **1,11,749** | **85,653** | **1,06,784** | **1,52,295** | **2,20,464** | **3,26,950** | **5,93,806** | **8,81,522** | **12,71,700** |
| Change (%) | -14.9 | -23.4 | 24.7 | 42.6 | 44.8 | 48.3 | 81.6 | 48.5 | 44.3 |
| Cash and Bank Balances | 6,484 | 6,124 | 5,372 | 6,574 | 2,685 | 323 | 2,503 | 5,405 | 6,819 |
| Fixed Assets | 2,267 | 1,715 | 1,748 | 2,117 | 1,944 | 2,542 | 2,745 | 2,965 | 3,202 |
| Investments | 4,024 | 4,289 | 8,197 | 3,109 | 8,783 | 13,416 | 8,050 | 8,855 | 9,740 |
| Other assets | 5,028 | 5,638 | 5,996 | 16,123 | 6,486 | 6,562 | 7,875 | 9,450 | 11,339 |
| **Total Assets** | **1,29,552** | **1,03,420** | **1,28,097** | **1,80,218** | **2,40,362** | **3,49,793** | **6,14,979** | **9,08,196** | **13,02,801** |

E: MOFSL Estimates

| AUM | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| **AUM (INR b)** | 128.5 | 102.5 | 117.7 | 161.4 | 250.0 | 356.3 | 629.7 | 932.4 | 1,344.3 |
| YoY growth (%) | **-7** | **-20** | **15** | **37** | **55** | **43** | **77** | **48** | **44** |
| **Disbursements (INR b)** | 50.5 | 24.2 | 75.2 | 157.5 | 332.9 | 302.4 | 505.0 | 686.8 | 934.1 |
| YoY growth (%) | **-34** | **-52** | **210** | **109** | **111** | **-9** | **67** | **36** | **36** |

E: MOFSL Estimates

# Financials and Valuation

| Ratios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
| **Spreads Analysis (%)** | | | | | | | | | |
| Avg. Yield on Loans | 16.3 | 17.5 | 14.9 | 14.0 | 15.6 | 14.1 | 13.5 | 14.0 | 14.3 |
| Avg Cost of Funds | 10.3 | 9.7 | 6.9 | 6.6 | 7.2 | 7.4 | 7.4 | 7.3 | 7.2 |
| Spread on loans | 6.0 | 7.8 | 8.0 | 7.4 | 8.3 | 6.8 | 6.0 | 6.8 | 7.1 |
| NIM (on AUM) | 6.7 | 7.6 | 8.6 | 8.8 | 9.5 | 7.8 | 6.9 | 7.6 | 7.9 |
| **Profitability Ratios (%)** | | | | | | | | | |
| RoE | -0.4 | -26.0 | 7.7 | 9.8 | 11.5 | -1.2 | 5.9 | 12.2 | 15.3 |
| RoA | -0.1 | -5.0 | 2.5 | 3.9 | 4.0 | -0.3 | 1.1 | 2.2 | 2.5 |
| Int. Expended / Int.Earned | 55.6 | 49.8 | 34.9 | 32.6 | 32.9 | 39.1 | 45.1 | 42.5 | 41.9 |
| Other Inc. / Net Income | 17.9 | 12.0 | 10.3 | 13.6 | 11.3 | 12.4 | 15.3 | 11.6 | 10.1 |
| **Efficiency Ratios (%)** | | | | | | | | | |
| Op. Exps. / Net Income | 54.5 | 45.5 | 57.2 | 57.1 | 36.8 | 50.9 | 51.9 | 44.9 | 41.8 |
| Opex/ Avg AUM | 4.5 | 4.0 | 5.5 | 5.8 | 3.9 | 4.5 | 4.2 | 3.9 | 3.7 |
| Empl. Cost/Op. Exps. | 62.7 | 67.1 | 67.8 | 63.2 | 55.0 | 46.4 | 50.4 | 50.7 | 49.9 |
| **Asset-Liability Profile (%)** | | | | | | | | | |
| Loans/Borrowings Ratio | 1.1 | 1.1 | 1.6 | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 |
| Debt/Equity (x) | 4.0 | 4.1 | 1.2 | 1.7 | 1.9 | 3.2 | 4.9 | 4.2 | 5.5 |
| Assets/Equity (x) | 5.2 | 5.3 | 2.2 | 2.8 | 3.0 | 4.3 | 6.1 | 5.3 | 6.6 |
| **Asset quality** | | | | | | | | | |
| GNPA (INR m) | 8,357 | 4,190 | 3,720 | 2,250 | 2,680 | 6,190 | 8,747 | 12,531 | 16,777 |
| GNPA (%) | 0.0 | 4.3 | 3.3 | 1.4 | 1.2 | 1.8 | 1.5 | 1.4 | 1.3 |
| NNPA (INR m) | 0 | 1,240 | 1,440 | 1,210 | 1,360 | 2,820 | 4,636 | 6,892 | 9,395 |
| NNPA (%) | 0.0 | 1.3 | 1.3 | 0.8 | 0.6 | 0.9 | 0.8 | 0.8 | 0.7 |
| PCR (%) | 0.0 | 70.4 | 61.3 | 46.2 | 49.3 | 54.5 | 47.0 | 45.0 | 44.0 |
| Credit costs (%) | 3.8 | 13.4 | 0.7 | -1.1 | 0.4 | 5.1 | 2.6 | 2.0 | 1.9 |

| Valuations | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| Book Value (INR) | 93 | 72 | 75 | 84 | 105 | 105 | 126 | 186 | 214 |
| BV Growth (%) | -1.7 | -22.8 | 3.7 | 12.0 | 25.9 | -0.2 | 19.9 | 47.7 | 14.8 |
| **Price-BV (x)** | **4.4** | **5.7** | **5.5** | **4.9** | **3.9** | **3.9** | **3.2** | **2.2** | **1.9** |
| EPS (INR) | -0.4 | -21.5 | 3.8 | 7.7 | 10.8 | -1.3 | 6.7 | 18.0 | 30.5 |
| EPS Growth (%) | -103.6 | 5,675.2 | -117.9 | 102.0 | 39.9 | -111.7 | -624.8 | 170.2 | 69.2 |
| **Price-Earnings (x)** | **-1,098.4** | **-19.0** | **106.4** | **52.7** | **37.7** | **-320.7** | **61.1** | **22.6** | **13.4** |
| Dividend per share | 0.0 | 0.0 | 0.4 | 2.0 | 2.0 | 0.0 | 2.0 | 3.0 | 3.0 |
| **Dividend Yield (%)** | **0.0** | **0.0** | **0.1** | **0.5** | **0.5** | **0.0** | **0.5** | **0.7** | **0.7** |

E: MOFSL Estimates

# N O T E S

| 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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Grievance Redressal Cell:

| Contact Person | Contact No. | Email ID |
|---|---|---|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |
| Mr. Neeraj Agarwal | 022 40548085 | na@motilaloswal.com |
| Mr. Siddhartha Khemka | 022 50362452 | po.research@motilaloswal.com |

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