INSTITUTIONAL RESEARCH

HSIE Results Daily

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- **Poonawalla Fincorp:** Poonawalla Fincorp's (PFL) earnings were ahead of our estimates, largely driven by a sharp reflation in NIM (+26bps QoQ), partly offset by higher credit costs (~2.3%). AUM growth remains high (+55% YoY; 10% QoQ), although gradually moderating with increasing base; it is likely to moderate to ~33% by FY28E. PFL's sustained pace of investments across distribution and tech initiatives is likely to keep opex ratios elevated with gradual operating leverage gains. Product mix shift toward higher-yielding products drove positive surprise on NIMs but it continues to weigh on credit costs. With portfolio seasoning yet to play out and elevated credit costs (~2.3%), PFL has limited levers for RoA reflation above ~2.2%. We revise our FY27-FY29E earnings estimates to factor in higher NIMs offset by higher credit costs and maintain REDUCE with a revised RI-based TP of INR395 (implying 1.9x Sep-28 ABVPS), as the RoE profile is likely to remain sub-par.

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Poonawalla Fincorp

Product mix driving NIM reflation

Poonawalla Fincorp's (PFL) earnings were ahead of our estimates, largely driven by a sharp reflation in NIM (+26bps QoQ), partly offset by higher credit costs (~2.3%). AUM growth remains high (+55% YoY; 10% QoQ), although gradually moderating with increasing base; it is likely to moderate to ~33% by FY28E. PFL's sustained pace of investments across distribution and tech initiatives is likely to keep opex ratios elevated with gradual operating leverage gains. Product mix shift toward higher-yielding products drove positive surprise on NIMs but it continues to weigh on credit costs. With portfolio seasoning yet to play out and elevated credit costs (~2.3%), PFL has limited levers for RoA reflation above ~2.2%. We revise our FY27-FY29E earnings estimates to factor in higher NIMs offset by higher credit costs and maintain REDUCE with a revised RI-based TP of INR395 (implying 1.9x Sep-28 ABVPS), as the RoE profile is likely to remain sub-par.

- **Strong NIM reflation led by the product mix**: NIM reflated by 93bps YoY, 26bps QoQ, to ~8%, led by reflation in yields (driven by portfolio mix). Share of instant consumer loans increased to 20.5% (Dec-25: 17.8%), along with increasing share of new products (~17% of AUM). Opex to AUM deteriorated QoQ to 4.04% due to investments in distribution (90 GL branches added in Q2; 400 in FY27E) and collections. Fee income grew by ~99% YoY; insurance distribution income is likely to come under pressure from FY28.
- **Credit costs, write-offs remain high:** GS-III/NS-III improved QoQ to 1.2%/0.62% (Q1FY27: 1.37%/0.71), with GS-II at 0.9% (Q1FY27: 1%). However, credit costs remained high at 2.3% (annualized), driven by higher write-offs (2.0%). We expect credit costs to remain at ~2.1% over FY27-FY29E, led by increasing share of unsecured loans.
- **Improving profitability; portfolio seasoning key monitorable:** PFL's RoA/RoE improved to 2.2%/11.2% in Q2, largely led by NIM reflation. However, we expect limited further improvement in profitability, going ahead (RoA/RoE at ~2.1%/13% by FY29E), with high credit costs offsetting operating efficiency gains. PFL's portfolio seasoning remains a key monitorable with astronomical growth in the past couple of years (~61% 2 yr CAGR) and increasing share of unsecured segments. Further, we expect moderation in AUM growth to ~33% CAGR over FY27-FY29E, with increasing scale.

Financial summary

Y/E Mar (INR bn)	Q2 FY27	Q2 FY26	YoY (%)	Q1 FY27	QoQ (%)	FY26	FY27E	FY28E	FY29E
NII	13.8	7.6	80.5	12.0	15.3	33.7	54.2	73.1	93.4
PPOP	8.8	3.9	126.9	7.8	11.8	19.3	34.3	47.0	59.7
PAT	3.7	0.7	405.2	3.1	21.8	5.4	14.4	21.3	26.4
EPS (INR)	4.3	1.0	348.4	3.5	20.3	6.7	16.4	22.3	27.7
ROAE (%)	11.2%	3.3%		10.5%		5.9%	11.7%	12.7%	12.7%
ROAA (%)	2.2%	0.7%		2.0%		1.1%	2.0%	2.2%	2.1%
ABVPS (INR)						122.3	156.3	194.2	220.3
P/ABV (x)						3.7	2.9	2.3	2.0
P/E (x)						66.7	27.3	20.0	16.2

Change in estimates

INR bn	FY27E			FY28E			FY29E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
AUM	842	842	0.0%	1,120	1,117	-0.3%	1,436	1,421	-1.0%
NIM (%)	7.2	7.6	43 bps	7.3	7.6	32 bps	7.2	7.5	31 bps
NII	51.1	54.2	6.1%	70.1	73.1	4.3%	90.1	93.4	3.7%
PPOP	32.3	34.3	6.5%	44.3	47.0	6.0%	56.8	59.7	5.0%
PAT	13.8	14.4	4.0%	20.1	21.3	5.9%	25.3	26.4	4.3%
ABVPS (INR)	155	156	1.0%	192	194	1.0%	217	220	1.6%

Source: Company, HSIE Research

REDUCE

CMP *(as on 09 Oct 2026)*	INR 447
Target Price	INR 395
NIFTY	22,520

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR390	INR395
EPS %	FY27E +4.0%	FY28E +5.9%

KEY STOCK DATA	
Bloomberg code	POONAWAL IN
No. of Shares (mn)	881
MCap (INR bn) / ($ mn)	393/4,065
6m avg traded value (INR mn)	840
52 Week high / low	INR 545/361

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.7)	11.1	(15.9)
Relative (%)	1.8	16.6	(4.1)

SHAREHOLDING PATTERN (%)	Jun-26	Sep-26
Promoters	59.0	59.0
FIs & Local MFs	16.7	17.2
FPIs	11.0	11.6
Public & Others	13.3	12.2
Pledged Shares	0.0	0.0

Source: BSE

Pledged shares as % of total shares

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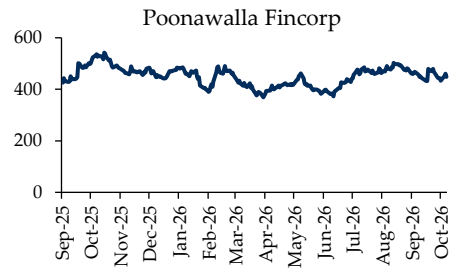
Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Deepak Shinde	Poonawalla Fincorp	PGDM	NO
Krishnan ASV	Poonawalla Fincorp	PGDM	NO
Ayush Pandit	Poonawalla Fincorp	CA	NO

Price movement



Disclosure:

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