

# Piramal Enterprises

BSE SENSEX

81,897

S&amp;P CNX

24,972



## Stock Info

Bloomberg	PIEL IN
Equity Shares (m)	227
M.Cap.(INRb)/(USD\$)	254.2 / 2.9
52-Week Range (INR)	1275 / 848
1, 6, 12 Rel. Per (%)	1/-2/20
12M Avg Val (INR M)	1072
Free float (%)	53.6

## Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
PPOP	15.8	20.3	37.0
PAT	4.8	13.8	24.0
PAT (ex exceptional)	4.8	3.5	22.0
EPS	22	61	106
EPS Gr. (%)	-	184	74
Consol BV/Sh. (INR)	1,202	1,252	1,343
RoA (%)	0.5	1.3	1.9
RoE (%)	1.8	5.0	8.2

## Valuation

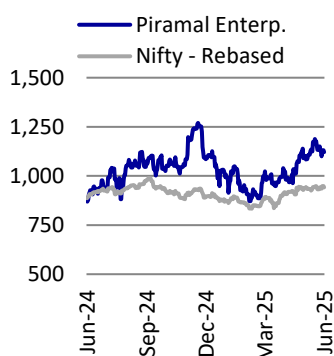
P/E (x)	51.9	18.3	10.5
P/BV (x)	0.9	0.9	0.8
Dividend yield (%)	1.0	1.4	2.4

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	46.4	46.3	46.2
DII	14.3	13.8	13.2
FII	16.5	16.8	17.5
Others	22.8	23.1	23.2

FII Includes depository receipts

## Stock's performance (one-year)


**CMP: INR1,121**
**TP: INR1,250 (+11%)**
**Neutral**

## Volatility in earnings behind; gradual improvement ahead

We interacted with the senior management team of Piramal Enterprises (PIEL), represented by Mr. Jairam Sridharan, CEO of Retail Lending and MD of Piramal Finance, to gain insights into the company's future growth plans and other strategic developments. The key takeaways from our discussion are outlined below.

- PIEL is now more confident about its Retail business strategy and has emphasized that legacy challenges are largely behind. The company plans to further reduce its legacy wholesale loan book from INR70b to INR35-40b, over the next one year, without any impact on its net worth. Additionally, it expects to receive a deferred consideration of USD120m from the sale of Piramal Imaging within the next 3-6 months. This, along with recoveries from its AIF, will further improve the company's ability to accelerate the run-down of the legacy AUM.
- We believe that the phase of earnings volatility is now comfortably behind, and that there will be no negative surprises or volatile quarters going forward. With the legacy stressed book expected to be largely addressed/run down by FY26 end, the portfolio will increasingly shift toward a stable, retail-dominated mix. We now expect PIEL to exhibit a more predictable and consistent performance trajectory from hereon.
- The company is prioritizing RoA enhancement through multiple structural levers such as NIM improvement (with a better product mix and a decline in CoB), better operating efficiency and improvement in the fee income profile. Management acknowledged that its RoE in the near term will stay in mid-to-high single digits due to excess capitalization and low leverage on its balance sheet. However, it continues to focus on sustaining RoA improvement in its growth businesses, including Retail and Wholesale 2.0.
- While we anticipate greater earnings stability and an improved outlook going forward, its return metrics remain modest, with RoA and RoE estimated at 1.9% and 8%, respectively, for FY27E. We value the lending business at 0.8x FY27E P/BV. Reiterate our Neutral rating on the stock with a revised TP of INR1,250 (premised on Mar'27 SOTP).

## Multiple levers for NIM expansion; rate cuts to ease CoB

- PIEL is intensifying its efforts to expand its NIMs through multiple strategic levers in order to improve RoA. The company expects NIM expansion to be driven by three levers: (a) linear improvement in fee income, aided by its previously unrecognized trail fee income; (b) increase in the share of unsecured retail assets to ~30% from ~23% currently in the next few years; and (c) a reduction in the cost of borrowings (CoB) aided by repo rate cuts.
- Around 25% of the company's borrowings are linked to MCLR and have already been repriced at lower rates. Management expects 70% transmission of rate cuts from banks, albeit with a six-month lag.

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

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The company plans to launch co-branded credit cards in FY26 to further strengthen its fee income profile. This product offering will generate both origination-based and transaction-based fee income.

#### **Moderation in opex ratios driven by operating efficiencies and productivity**

- PIEL continues to focus on enhancing its operational efficiency as a key lever to reduce operating expenses. Over the last eight quarters, the company has successfully brought down its opex-to-AUM ratio by ~220bp from around 6.5% in FY23 to 4.3% in FY25, reflecting the impact of scale benefits, digitization, and tighter cost controls.
- The company intends to continue leveraging its existing branch infrastructure over the next 2-3 quarters, with no new branches opened in the last three quarters and a stable headcount during this period. Concurrently, productivity has been improving across branches and employees, which should boost operating efficiency and improve opex ratios.
- PIEL aims to reduce its opex-to-AUM ratio to ~3.5-4% over the long term, with the wholesale segment expected to operate at a lean cost structure of 100-120bp.

#### **Asset quality to remain largely stable; credit costs under control**

- PIEL has demonstrated consistent improvement in asset quality, with trends remaining stable in the recent quarters. The period of high volatility and high credit costs appears to be largely behind, reflecting the effectiveness of its risk management.
- Credit costs in the growth business stood at ~1.8% in 4QFY25, a slight uptick from 1.7% in the previous quarter, and management expects them to remain broadly stable going forward. Asset quality metrics remain healthy, with retail 90+ dpd contained at ~0.8% in 4QFY25 and the wholesale 2.0 portfolio maintaining strong collection efficiency at 100%.

#### **Strengthening growth businesses; accelerated rundown of legacy book**

- PIEL remains firmly focused on scaling up its core growth engines — the retail lending and Wholesale 2.0 businesses — while systematically running down its legacy wholesale portfolio. The company has reiterated that the run-down of legacy assets will be executed without any material impact on its net worth.
- The company has guided for overall AUM growth of ~25% in FY26. It is witnessing robust demand in both the LAP and micro-LAP segments, with risk metrics remaining stable. It initially launched the micro-LAP product in two geographies and expanded to 10 additional locations in the previous month, with plans to scale up to 10 more. Further, LAP remains a focus segment in the company's product portfolio.

#### **Expansion into new product segments to drive profitability**

- PIEL has successfully completed pilots in the gold loan business and might look at a full-scale launch by the end of the year.
- As part of the gold loan rollout, PIEL plans to establish 25-50 dedicated gold loan branches, which will be equipped with the requisite physical infrastructure.

### Capital and balance sheet optimization

- Management acknowledged that the company is overcapitalized and is mindful that high net-worth will constrain RoE expansion over the next few years. Given its strong capital position, the company does not anticipate any need for raising additional equity capital in the foreseeable future.
- The company has strategic investments of ~INR20b in Shriram Life and Shriram General Insurance, and has no urgency to monetize these holdings in the current fiscal.
- The conversion of its housing subsidiary into an NBFC will increase risk-weights, which will increase the capital requirement. On the other hand, the holding company investment in the subsidiary, which attracts higher risk-weights, will get released after the amalgamation. Both these factors will largely offset each other and will not have any significant impact on the capital adequacy of the company, which stood at ~24% as of Mar'25.

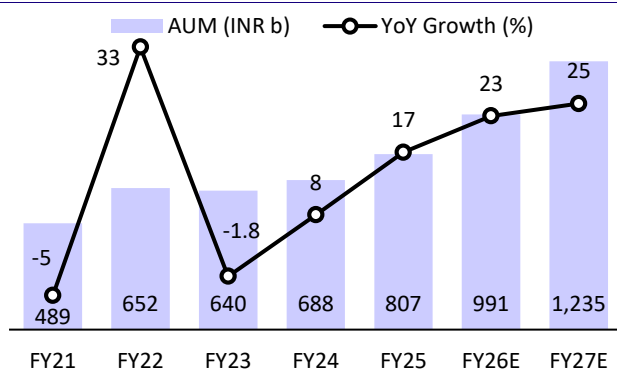
### Valuation and View

- PIEL's strategic shift toward building a granular and diversified retail franchise, alongside a calibrated wholesale 2.0 book, continues to gain traction. The company has demonstrated steady progress on asset quality, with volatility now largely behind and credit costs expected to remain stable. With new product launches such as co-branded credit cards and gold loans in the pipeline, the company is expanding its fee income base and diversifying its earnings profile.
- Our FY26 earnings estimate factors in exceptional gains from the Piramal Imaging business, gains from AIFs and no tax incidence in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of its stake in Shriram Life and General Insurance, we have not factored it into our estimates. It does, however, provide streams of one-off gains, which can help to offset credit costs required to dispose of residual (if any) stressed legacy AUM.
- While the company anticipates greater earnings stability and an improved outlook going forward, its return metrics remain modest, with RoA and RoE estimated at 1.9% and 8%, respectively, for FY27E. We value the lending business at 0.8x FY27E P/BV. **Reiterate our Neutral rating on the stock with a revised TP of INR1,250 (premised on Mar'27E SOTP).**

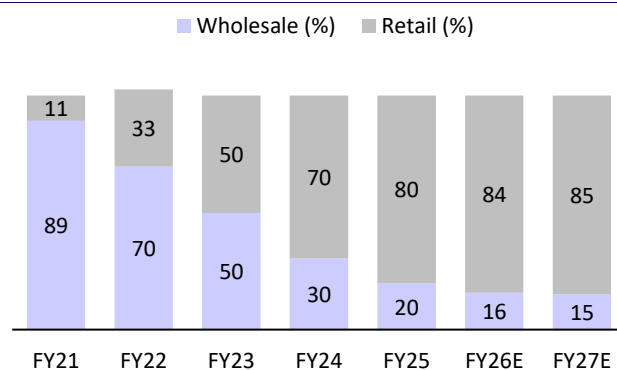
#### PEL: SOTP - Mar'27

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	237	2.8	1,054	84	❖ 0.8x Mar'27E PBV
Shriram Group	34	0.4	151	12	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	5	0.1	21	2	
Alternatives	5	0.1	23	2	
<b>Target Value</b>	<b>281</b>	<b>3.4</b>	<b>1,250</b>	<b>100</b>	

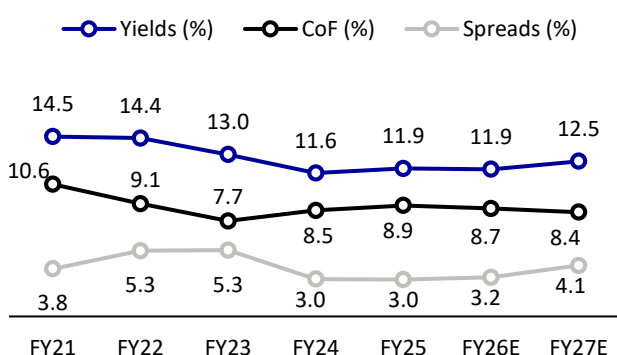
# Story in charts

**Exhibit 1: AUM CAGR of ~24% over FY25-FY27E**


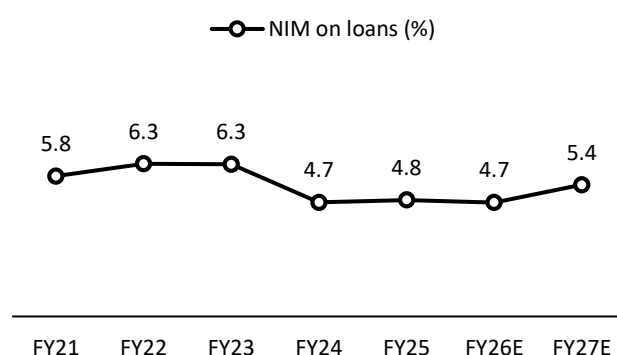
Source: MOFSL, Company

**Exhibit 2: Retail mix continues to increase**


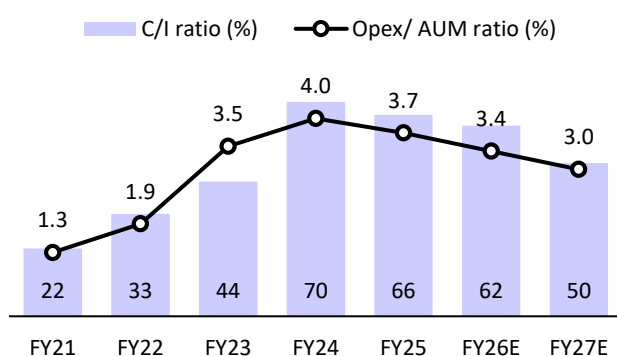
Source: MOFSL, Company

**Exhibit 3: Expect improvement in yields...**


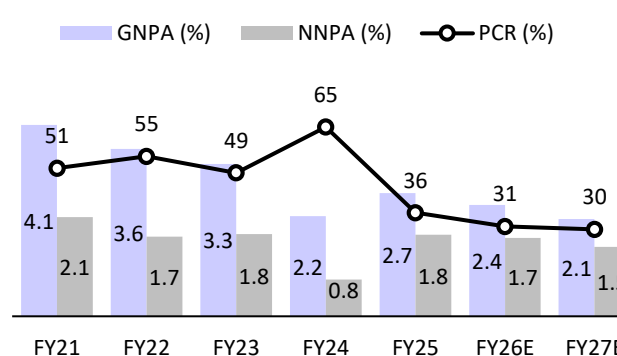
Source: MOFSL, Company

**Exhibit 4: ...to lead to NIM expansion by FY27E**


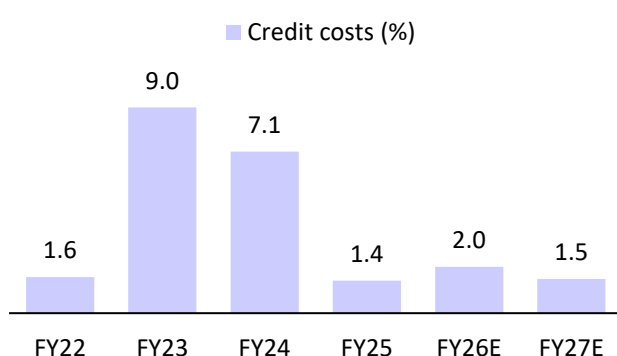
Source: MOFSL, Company

**Exhibit 5: Operating costs to come down in FY26-FY27**


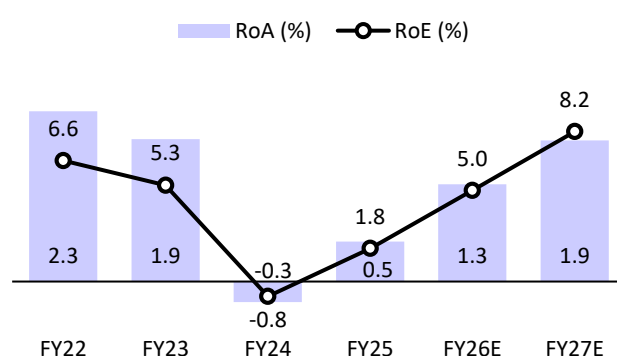
Source: MOFSL, Company

**Exhibit 6: Expect further improvement in asset quality**


Source: MOFSL, Company

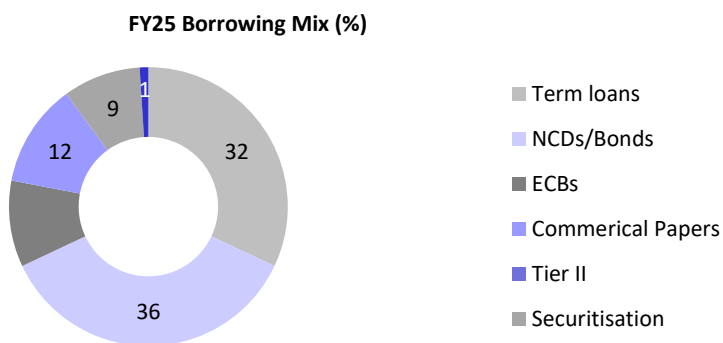
**Exhibit 7: Credit costs to gradually come down**


Source: MOSL, Company

**Exhibit 8: ROA/ROE of 1.9%/8% in FY27E**


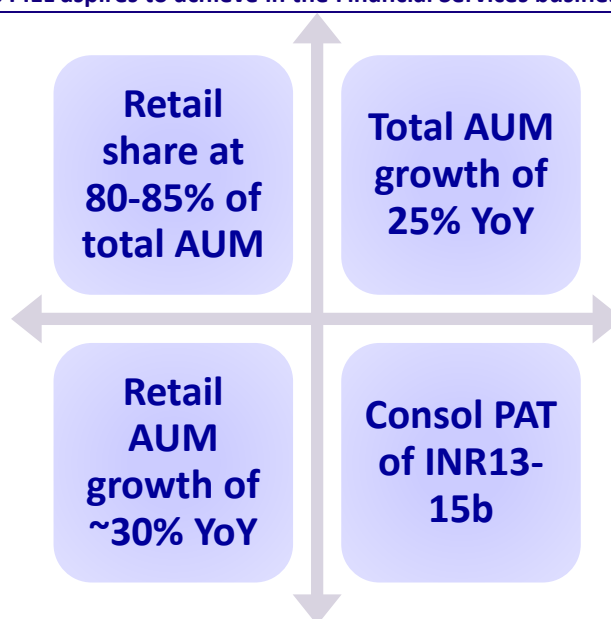
Source: MOSL, Company

**Exhibit 9: Borrowing mix as of Mar'25**



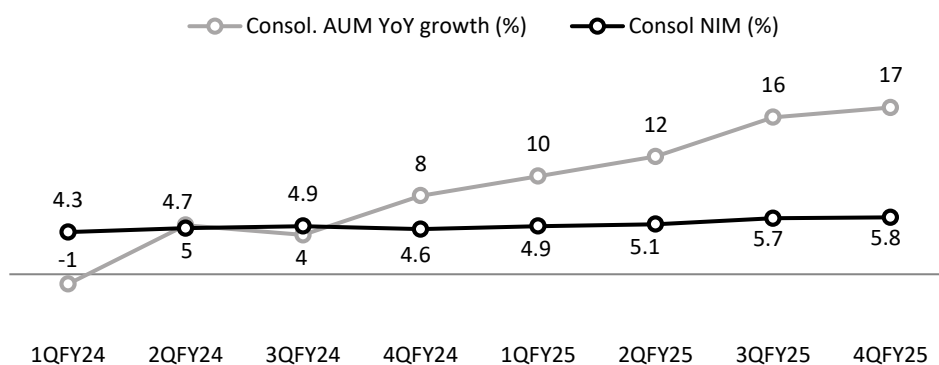
Source: MOFSL, Company

**Exhibit 10: Goals PIEL aspires to achieve in the Financial Services business in FY26**



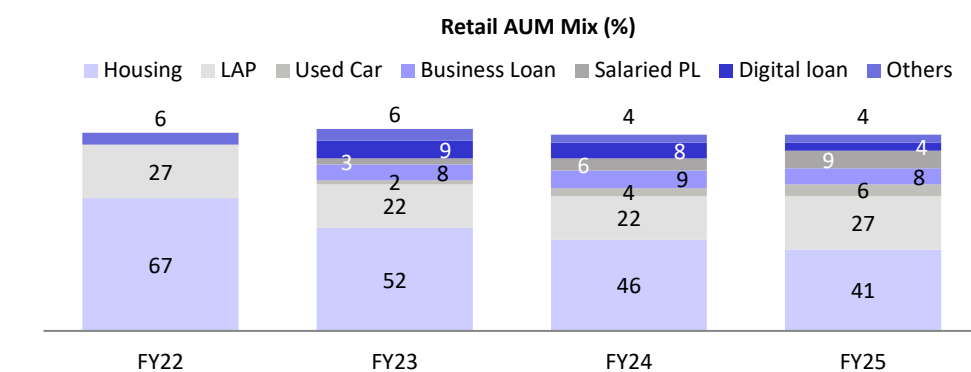
Source: MOFSL, Company

**Exhibit 11: Consol. AUM growth and NIM are increasing (%)**



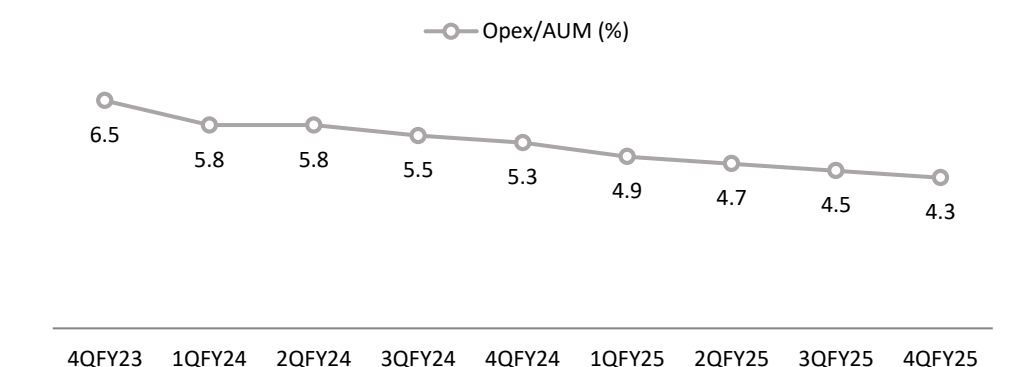
Source: MOFSL, Company

**Exhibit 12: Retail AUM mix as of FY25**



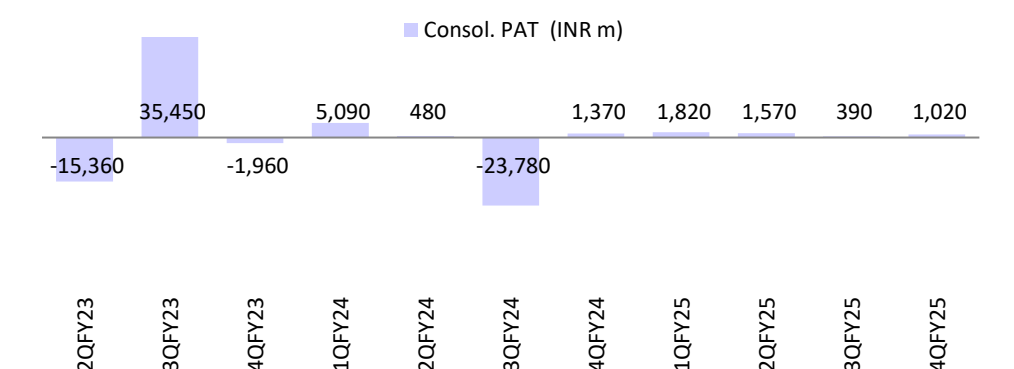
Source: MOFSL, Company

**Exhibit 13: Consistent improvement in opex-to-AUM ratio over the past eight quarters**



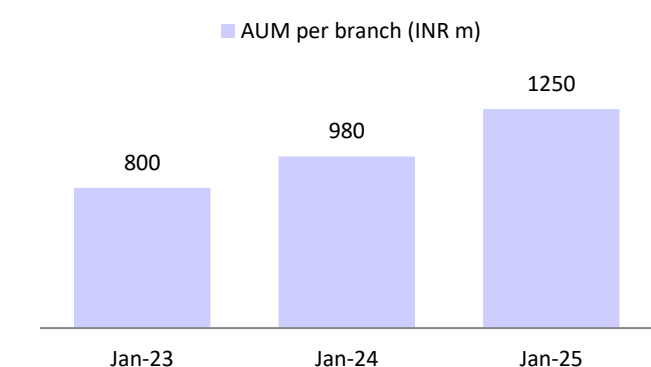
Source: MOFSL, Company

**Exhibit 14: Volatility in earnings behind; steady profitability over last five quarters**



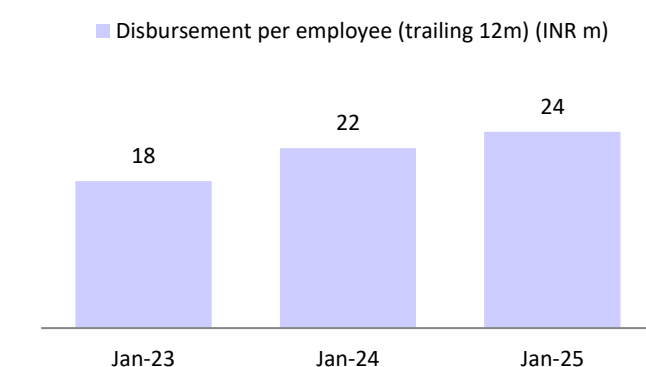
Source: MOFSL, Company

**Exhibit 15: AUM per branch consistently increasing**

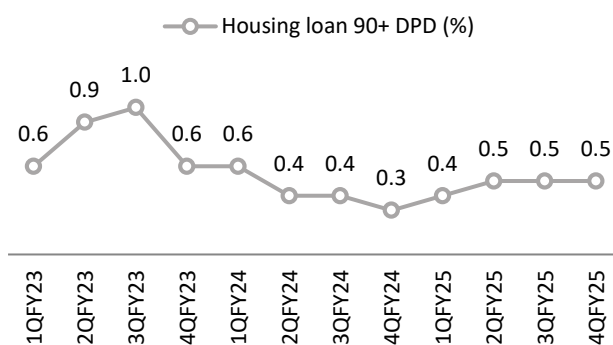


Source: MOSL, Company

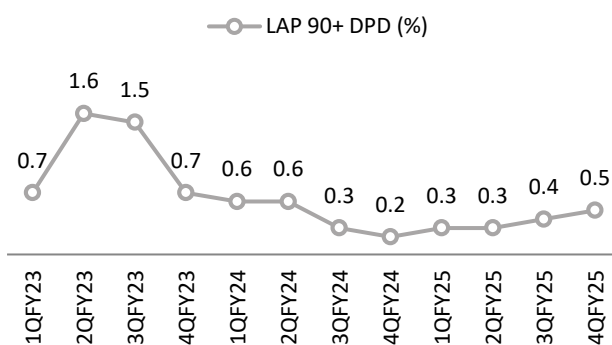
**Exhibit 16: Disbursements per employee improving**



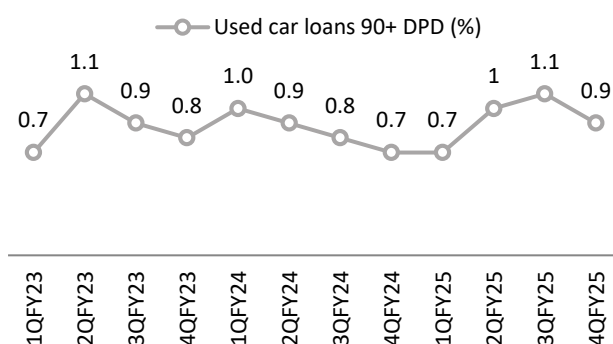
Source: MOSL, Company;

**Exhibit 17: Housing loan 90+ dpd (%)**


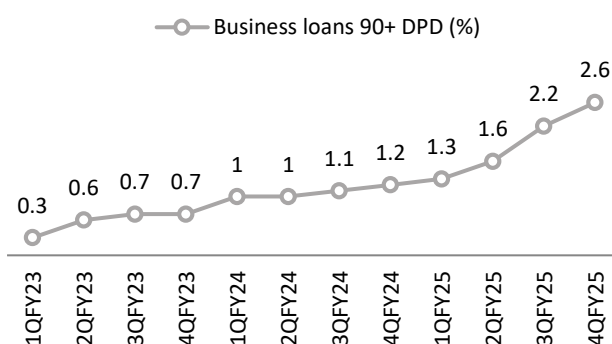
Source: MOSL, Company

**Exhibit 18: LAP 90+ dpd (%)**


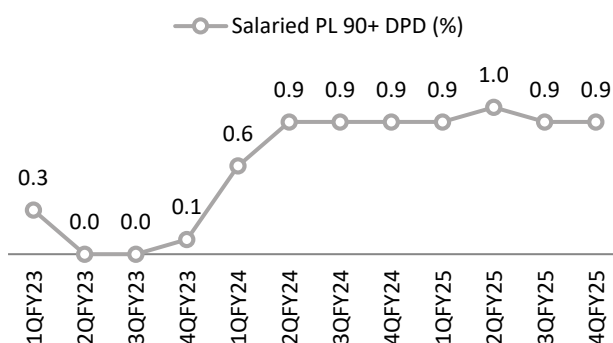
Source: MOSL, Company;

**Exhibit 19: Used car 90+ dpd (%)**


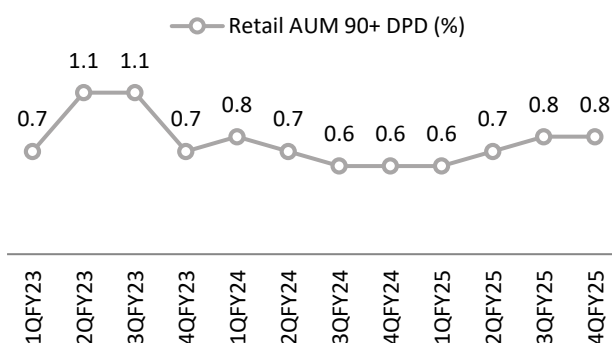
Source: MOSL, Company

**Exhibit 20: Business loan 90+ dpd (%)**


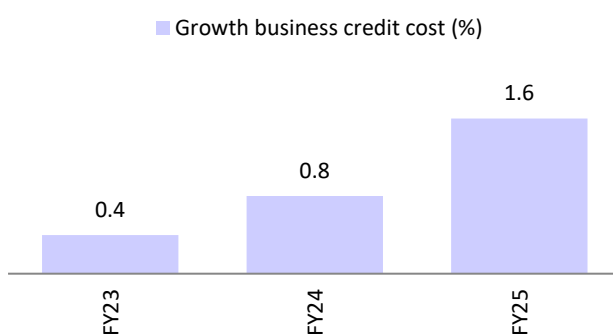
Source: MOSL, Company;

**Exhibit 21: Salaried PL 90+ dpd (%)**


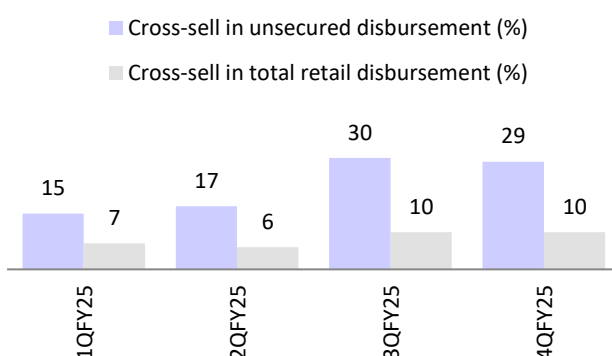
Source: MOSL, Company

**Exhibit 22: Retail AUM 90+ dpd (%)**


Source: MOSL, Company;

**Exhibit 23: Growth business credit cost stood at 1.6% in FY25**


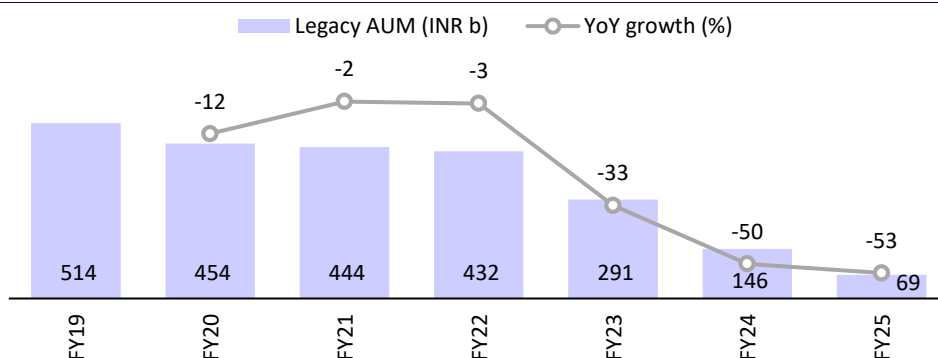
Source: MOSL, Company

**Exhibit 24: Cross sell %**


Source: MOSL, Company;

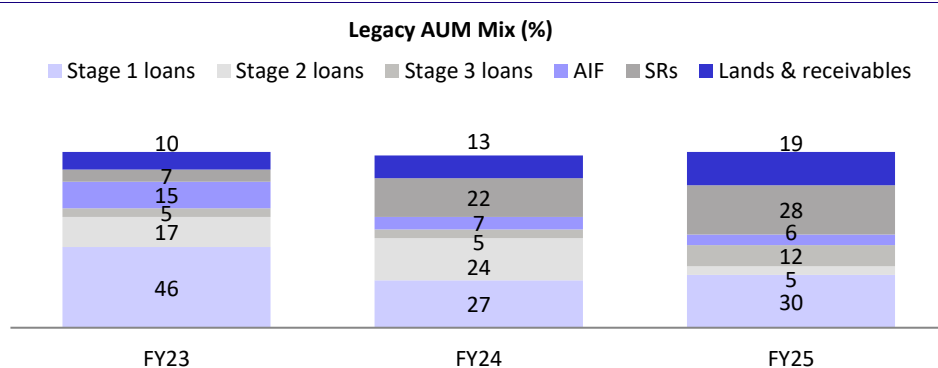
## Legacy Wholesale and Wholesale 2.0 - Story in Charts

**Exhibit 25: Accelerated rundown of Legacy AUM**



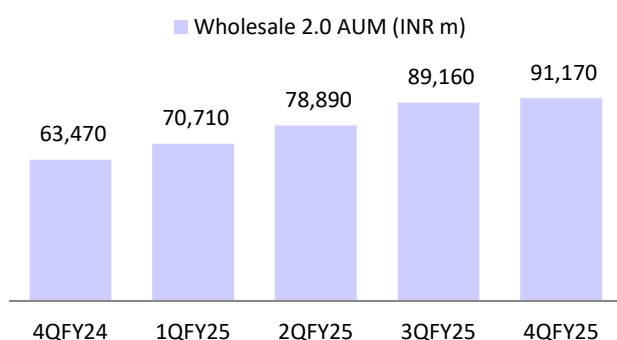
Source: MOFSL, Company

**Exhibit 26: Legacy AUM Mix (%)**



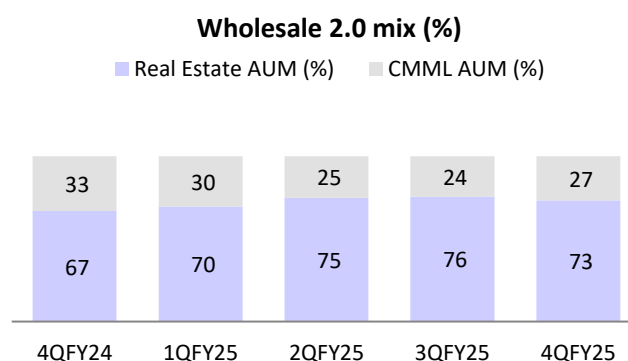
Source: MOFSL, Company

**Exhibit 1: Wholesale 2.0 AUM stood at INR91b as of FY25**



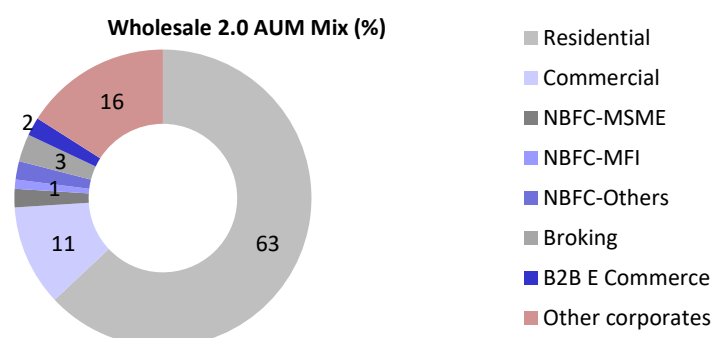
Source: MOFSL, Company

**Exhibit 2: Wholesale 2.0 AUM Mix (%)**



Source: MOFSL, Company

**Exhibit 3: Wholesale 2.0 AUM Mix (%)**



Source: MOFSL, Company

## Valuation and view

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Life Insurance	5	0.1	21	2	
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<b>Target Value</b>	<b>281</b>	<b>3.4</b>	<b>1,250</b>	<b>100</b>	

Exhibit 4: One year forward P/BV

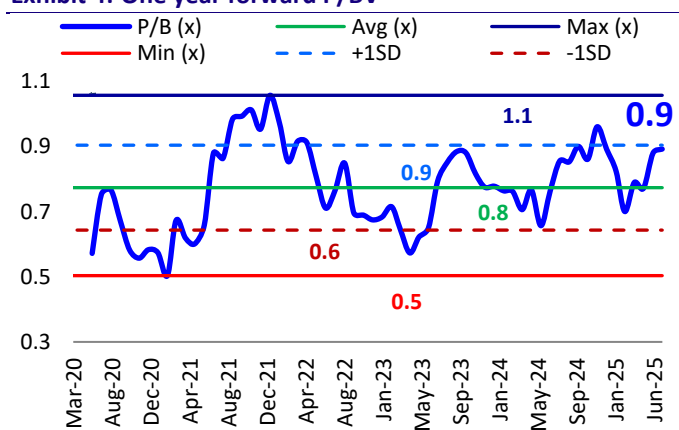
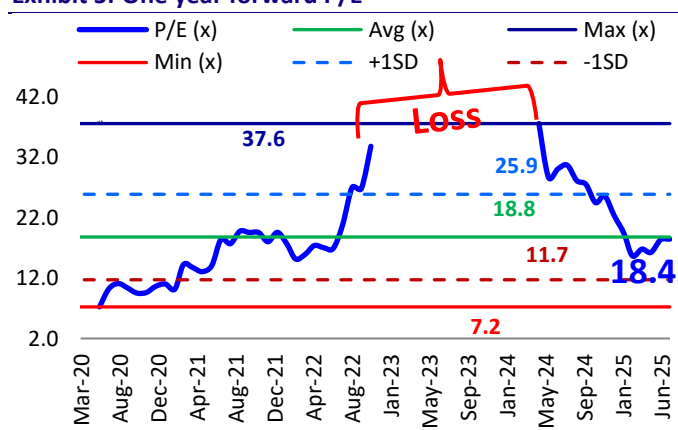


Exhibit 5: One year forward P/E



## Financials and valuations

Income statement							INR m
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	69,260	75,228	77,986	74,230	89,090	1,06,497	1,39,081
Interest Expended	41,580	42,251	40,412	44,004	53,174	64,248	78,611
<b>Net Interest Income</b>	<b>27,680</b>	<b>32,977</b>	<b>37,574</b>	<b>30,226</b>	<b>35,916</b>	<b>42,248</b>	<b>60,470</b>
Change (%)		19.1	13.9	-19.6	18.8	17.6	43.1
Other Income	1,150	3,881	12,881	9,480	10,040	11,320	13,510
<b>Net Income</b>	<b>28,830</b>	<b>36,858</b>	<b>50,456</b>	<b>39,706</b>	<b>45,956</b>	<b>53,568</b>	<b>73,980</b>
Change (%)		27.8	36.9	-21.3	15.7	16.6	38.1
Operating Expenses	6,360	12,284	22,148	27,740	30,143	33,315	36,940
<b>PPoP</b>	<b>22,470</b>	<b>24,574</b>	<b>28,307</b>	<b>11,966</b>	<b>15,814</b>	<b>20,253</b>	<b>37,040</b>
Change (%)		9.4	15.2	-57.7	32.2	28.1	82.9
Provisions/write offs	10	8,299	54,101	45,638	10,740	18,306	16,734
<b>PBT</b>	<b>22,460</b>	<b>16,275</b>	<b>-25,793</b>	<b>-33,672</b>	<b>5,074</b>	<b>1,948</b>	<b>20,306</b>
Tax	5,790	4,062	-39,781	-15,949	1,594	0	0
Tax Rate (%)	25.8	19.0	0.0	0.0	0.0	0.0	0.0
<b>PAT (before associate income)</b>	<b>16,670</b>	<b>12,213</b>	<b>13,987</b>	<b>-17,724</b>	<b>3,479</b>	<b>1,948</b>	<b>20,306</b>
Associate Income	0	5,939	3,886	1,540	1,370	1,507	1,658
<b>PAT (before exceptional)</b>	<b>16,670</b>	<b>18,152</b>	<b>17,873</b>	<b>-16,184</b>	<b>4,849</b>	<b>3,455</b>	<b>21,964</b>
Exceptional items	0	-1,529	80,663	13,840	0	10,320	2,000
<b>PAT (after exceptional)</b>	<b>16,670</b>	<b>16,622</b>	<b>98,536</b>	<b>-2,344</b>	<b>4,849</b>	<b>13,775</b>	<b>23,964</b>
Profit from discontinued Operations	0	3,365	0	0	0	0	0
<b>Reported net profit/loss</b>	<b>16,670</b>	<b>19,988</b>	<b>98,536</b>	<b>-2,344</b>	<b>4,849</b>	<b>13,775</b>	<b>23,964</b>

Balance sheet							INR m
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	451	477	477	449	451	451	451
Reserves & Surplus	1,80,279	3,54,414	3,10,114	2,65,121	2,70,509	2,81,804	3,02,324
<b>Net Worth</b>	<b>1,80,730</b>	<b>3,68,369</b>	<b>3,10,591</b>	<b>2,65,571</b>	<b>2,70,959</b>	<b>2,82,255</b>	<b>3,02,774</b>
Borrowings	3,75,564	5,54,510	4,95,828	5,34,020	6,54,840	8,22,133	10,49,554
Change (%)	0	48	-11	8	23	26	28
Other liabilities	5,086	39,549	23,891	24,274	20,681	16,545	13,236
<b>Total Liabilities</b>	<b>5,61,380</b>	<b>9,98,729</b>	<b>8,37,522</b>	<b>8,26,050</b>	<b>9,49,434</b>	<b>11,20,933</b>	<b>13,65,565</b>
<b>Loans and advances</b>	<b>4,61,680</b>	<b>4,93,180</b>	<b>4,63,946</b>	<b>5,49,434</b>	<b>6,57,918</b>	<b>8,40,669</b>	<b>10,82,647</b>
Change (%)	0	7	-6	18	20	28	29
<b>Investments</b>		<b>2,48,565</b>	<b>2,23,318</b>	<b>1,25,130</b>	<b>1,25,387</b>	<b>1,06,579</b>	<b>95,921</b>
Net Fixed Assets	1,200	86,715	7,385	6,232	4,931	3,451	2,416
Cash and Cash equivalents	38,500	71,872	46,491	44,468	62,759	55,000	55,000
Deferred tax assets		13,679	18,472	28,756	27,404	27,404	27,404
Other assets	60,000	71,366	77,910	72,030	71,036	87,829	1,02,176
<b>Total Assets</b>	<b>5,61,380</b>	<b>9,98,729</b>	<b>8,37,522</b>	<b>8,26,050</b>	<b>9,49,434</b>	<b>11,20,933</b>	<b>13,65,565</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Spreads Analysis (%)</b>							
Yield on loans	14.5	14.4	13.0	11.6	11.9	11.9	12.5
Cost of funds	10.6	9.1	7.7	8.5	8.9	8.7	8.4
Spread	3.8	5.3	5.3	3.0	3.0	3.2	4.1
Net Interest Margin	5.8	6.3	6.3	4.7	4.8	4.7	5.4
<b>Profitability Ratios (%)</b>							
RoE	9.9	6.6	5.3	-0.8	1.8	5.0	8.2
RoA	3.1	2.3	1.9	-0.3	0.5	1.3	1.9
C/I ratio	22.1	33.3	43.9	69.9	65.6	62.2	49.9
<b>Asset Quality (%)</b>							
Gross NPA	20,180	22,270	20,550	14,300	19,510	21,605	23,566
Gross NPA (% of AUM)	4.1	3.6	3.3	2.2	2.7	2.4	2.1
Net NPA	9,870	9,980	10,380	4,960	12,540	14,907	16,496
Net NPA (% of AUM)	2.1	1.7	1.8	0.8	1.8	1.7	1.5
PCR (%)	51.1	55.2	49.5	65.3	35.7	31.0	30.0

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY26E
<b>AUM (INR m)</b>							
AUM	4,88,910	6,51,850	6,39,890	6,88,460	8,06,890	9,90,522	12,34,769
YoY growth (%)	-5	33	-2	8	17	23	25
<b>AUM Mix (%)</b>							
Wholesale	89.2	69.6	49.8	30.4	19.9	15.7	15.1
Retail	10.8	33.1	50.2	69.6	80.1	84.3	84.9
<b>Total</b>	<b>100.0</b>	<b>102.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Wholesale Loans (INR m)	3,93,650	3,84,620	2,74,960	2,09,190	1,60,370	1,55,559	1,86,671
YoY growth (%)	-13.3	-2.3	-28.5	-23.9	-23.3	-3.0	20.0
Retail Loans (INR m)	53,030	2,15,520	3,21,440	4,79,270	6,46,520	8,34,963	10,48,099
YoY growth (%)	-4.2	306.4	49.1	49.1	34.9	29.1	25.5
<b>Total Loan Book</b>	<b>4,46,680</b>	<b>6,00,140</b>	<b>5,96,400</b>	<b>6,88,460</b>	<b>8,06,890</b>	<b>9,90,522</b>	<b>12,34,769</b>
YoY growth (%)	-12.4	34.4	-0.6	15.4	17.2	22.8	24.7

VALUATION	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (INR)	801	1,544	1,301	1,182	1,202	1,252	1,343
<b>Price-BV (x)</b>		<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>
EPS (INR)	73.9	69.7	74.9	-10.4	21.5	61.1	106.3
EPS Growth YoY		-6	8	-114	-306	184	74
<b>Price-Earnings (x)</b>		<b>16.0</b>	<b>14.9</b>	<b>-107.0</b>	<b>51.9</b>	<b>18.3</b>	<b>10.5</b>
Dividend per share (INR)			31.0	10.0	11.0	15.3	26.6
<b>Dividend yield (%)</b>			<b>2.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.4</b>	<b>2.4</b>

E: MOFSL Estimates

Du-Pont	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest income	13.7	9.6	8.5	8.9	10.0	10.3	11.2
Interest expense	8.2	5.4	4.4	5.3	6.0	6.2	6.3
<b>NII</b>	<b>5.5</b>	<b>4.2</b>	<b>4.1</b>	<b>3.6</b>	<b>4.0</b>	<b>4.1</b>	<b>4.9</b>
Fee and other income	0.2	0.5	1.4	1.1	1.1	1.1	1.1
<b>Total income</b>	<b>5.7</b>	<b>4.7</b>	<b>5.5</b>	<b>4.8</b>	<b>5.2</b>	<b>5.2</b>	<b>6.0</b>
Operating expense	1.3	1.6	2.4	3.3	3.4	3.2	3.0
<b>PPOP</b>	<b>4.4</b>	<b>3.2</b>	<b>3.1</b>	<b>1.4</b>	<b>1.8</b>	<b>2.0</b>	<b>3.0</b>
Provisions (annualized)	0.0	1.1	5.9	5.5	1.2	1.8	1.3
<b>PBT</b>	<b>4.4</b>	<b>2.1</b>	<b>-2.8</b>	<b>-4.0</b>	<b>0.6</b>	<b>0.2</b>	<b>1.6</b>
<b>ROA (before associate and exceptional)</b>	<b>3.3</b>	<b>1.6</b>	<b>1.5</b>	<b>-2.1</b>	<b>0.4</b>	<b>0.2</b>	<b>1.6</b>
<b>Consol RoA (including associate and exceptional)</b>		<b>2.6</b>	<b>10.9</b>	<b>-2.0</b>	<b>0.5</b>	<b>1.3</b>	<b>1.9</b>
Assets-to-equity	3.0	2.8	2.7	2.9	3.3	3.7	4.3
<b>Consol ROE (PAT)</b>	<b>9.9</b>	<b>7.3</b>	<b>29.4</b>	<b>-5.8</b>	<b>1.8</b>	<b>5.0</b>	<b>8.2</b>

E: MOFSL Estimates

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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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