

Bloomberg	PIEL IN
Equity Shares (m)	225
M.Cap.(INRb)/(USD\$b)	222.2 / 2.6
52-Week Range (INR)	1140 / 737
1, 6, 12 Rel. Per (%)	7/4/-28
12M Avg Val (INR M)	1441

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
PPOP	12.0	18.2	27.4
PAT	-16.8	9.2	17.6
PAT*	-15.4	-2.8	12.6
EPS	-75	41	78
EPS Gr. (%)	-	-	92
BV/Sh. (INR)	1,182	1,213	1,275
RoA (%)	-2.0	1.0	1.7
RoE (%)	-5.8	3.4	6.3

## Valuation

P/E (x)	-13.2	24.1	12.6
P/BV (x)	0.8	0.8	0.8
Dividend yield (%)	1.0	1.7	2.0

\*(ex-exceptional)

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.0	46.2	43.5
DII	13.4	13.2	11.9
FII	16.7	17.5	26.5
Others	23.9	23.2	18.1

FII Includes depository receipts

**CMP: INR985**

**TP: INR950 (-4%)**

**Neutral**

## Strong retail loan growth; legacy book will be aggressively run down

### Opex ratio continues to improve; minor deterioration in asset quality

- PIEL reported 1QFY25 net profit of ~INR1.8b (PQ: ~INR1.4b). This included an exceptional gain of ~INR1b from recoveries in AIF portfolio. Reported PAT in 4QFY24 included provision write-back on AIF investments of INR11.4b and stake sale in Shriram Investment Holding, resulting in gain of INR8.7b.
- NII rose 6% YoY and 2% QoQ to ~INR7.2b. PPOP at ~INR2.4b declined ~76% YoY. Total AUM grew 10% YoY and declined 2% QoQ. Wholesale 2.0 AUM grew 11% QoQ to INR70.7b, while Wholesale 1.0 AUM declined ~50% YoY/11% QoQ to INR130b. Retail AUM grew ~45% YoY to INR505b with its share in the loan book increasing to ~72% (PQ: 70%).
- GS3/NS3 increased ~30bp each to 2.7%/1.1%. Stage 3 PCR declined by ~5pp QoQ to ~60%. Total ECL/EAD declined by ~70bp QoQ to ~4.4% of the AUM.
- Total SRs declined ~6% QoQ to INR45.8b. As resolution processes continues, SR portfolio will continue to reduce in the near term.
- The implementation process for the proposed merger of Piramal Enterprises (PEL) with its subsidiary Piramal Capital & Housing Finance (PCHFL) and the renaming of PCHFL as Piramal Finance Limited (PFL) is on track and expected to be completed by 1QFY26.
- Management targets to reduce legacy AUM to <10% of total AUM by end-FY25. We believe that this will entail elevated credit costs in FY25. The company pointed out that it has a) management overlay of ~INR6.9b on the legacy AUM, b) expects gains of ~INR12b from AIF over FY25, and c) residual stakes in Shriram Life and General Insurance will be monetized. It will look to opportunistically take the credit cost impact of running down the legacy AUM on P&L when there are one-off gains from the pockets of opportunity in its legacy business.
- We estimate a total AUM CAGR of ~24% and a ~36% CAGR in Retail AUM over FY24-FY26E. While its growth business (excluding one-off gains and exceptional items) is showing signs of improvement, it will still take at least 12-15 months for it to mitigate the earnings and credit costs impact of an accelerated decline in the legacy AUM.
- Pockets of opportunity, which we earlier thought will be utilized for some inorganic acquisition in retail businesses or for strengthening the balance sheet, will potentially be utilized to run down the stressed legacy AUM. We do not see catalysts for any meaningful improvement in the core earnings trajectory of the company. **We maintain our Neutral rating with a revised TP of INR950 (based on Mar'26E SOTP).**

## Highlights from the management commentary

- The company has taken a PLR increase of ~25bp, effective Aug'24, across all its product portfolios. The management shared that its borrowing costs continue to rise and there will be pressure on NIMs over the next one-two quarters.
- Guided for an opex-to-AUM ratio of ~3.5%-4% in the medium term.

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

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**Valuation and view**

- Our earnings estimates for FY25 and FY26 only factor in exceptional gains from the AIF exposures and low tax outgo in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General insurance, we have not factored it in our estimates yet. It will, however, provide one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.7% RoA and ~6% RoE in FY26. We value the lending business at 0.6x FY26E P/BV and **maintain our Neutral rating on the stock with a revised TP of INR950 (premised on Mar'26 SOTP).**

**Piramal: Quarterly Performance****(INR m)**

Y/E March	FY24				FY25	FY24	FY25E
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25		
Interest Income	17,251	17,783	19,307	19,009	19,285	73,349	86,722
Interest Expenses	10,439	10,500	11,178	11,887	12,047	44,004	53,018
<b>Net Interest Income</b>	<b>6,812</b>	<b>7,283</b>	<b>8,129</b>	<b>7,121</b>	<b>7,238</b>	<b>29,345</b>	<b>33,704</b>
YoY Growth (%)	-31.0	-12.3	-21.3	-22.3	6.3		
Other operating income	11,739	4,150	5,450	5,724	1,943	27,064	12,962
Other Income	208	119	706	549	226	1,581	1,692
<b>Total Income</b>	<b>18,759</b>	<b>11,552</b>	<b>14,284</b>	<b>13,394</b>	<b>9,407</b>	<b>57,989</b>	<b>48,358</b>
YoY Growth (%)	75.4	22.5	-38.3	53.9	-49.9		
Operating Expenses	9,061	6,641	6,970	14,451	7,034	37,123	30,116
<b>Operating Profit</b>	<b>9,698</b>	<b>4,911</b>	<b>7,314</b>	<b>-1,057</b>	<b>2,373</b>	<b>20,867</b>	<b>18,242</b>
YoY Growth (%)	54.5	22.1	-58.3	-153.7	-75.5		
Provisions & Loan Losses	3,090	4,385	5,995	20,852	1,007	34,322	22,459
<b>Profit before Tax</b>	<b>6,609</b>	<b>526</b>	<b>1,319</b>	<b>-21,909</b>	<b>1,366</b>	<b>-13,455</b>	<b>-4,218</b>
Tax Provisions	1,732	107	-9,575	-8,212	664	-15,949	-633
<b>PAT (before associate income)</b>	<b>4,877</b>	<b>419</b>	<b>10,894</b>	<b>-13,696</b>	<b>702</b>	<b>2,493</b>	<b>-3,585</b>
Associate Income	211	707	728	-108	76	1,537	770
<b>PAT (before exceptional)</b>	<b>5,088</b>	<b>1,125</b>	<b>11,622</b>	<b>-13,805</b>	<b>778</b>	<b>4,031</b>	<b>-2,815</b>
Exceptional items	0	-643	-35,398	15,176	1,037	-20,866	12,000
Profit from Discontinued operations						-	-
<b>PAT (after exceptional)</b>	<b>5,088</b>	<b>482</b>	<b>-23,776</b>	<b>1,371</b>	<b>1,815</b>	<b>-16,835</b>	<b>9,185</b>

**Strong growth in retail; retail mix improved to ~72%**

- Retail AUM grew ~45% YoY to INR505b, with its share in AUM increasing to ~72% (PQ: 70%). The company calibrated disbursements in digital loans, which led to benign risk performance. Digital loan volumes are down ~50% from its peak in 1QFY24.
- Retail disbursements grew ~19% YoY to INR68b and yields improved ~40bp YoY to 13.8%. The improvement in yields in retail was due to a price increase taken across products, effective 1st Apr'24.

**Minor deterioration in asset quality**

- GS3/NS3 increased ~30bp each to 2.7%/1.1%. Stage 3 PCR declined by ~5pp QoQ to ~60%.
- Credit cost stood at ~1.6% vs. ~0.8% in 1QFY24. Credit cost in 1QFY24 had benefitted from one-time write-back due to a change in ECL policy. There is not even a single delinquency in Wholesale 2.0 book since the inception of this segment. In Wholesale legacy book, the management overlay of ~INR2.6b was utilized during the quarter.

## Exhibit 1: Key products with average ticket size and disbursement yields

## Multi-product retail lending platform across the risk-reward spectrum – Q1 FY25



Product Segments	Products	Average disbursement ticket size (INR lakh)	Disbursement yield	Share in disbursements	AUM yield <sup>1</sup>	Share in AUM <sup>2</sup>
Housing	Affordable housing	20.9	11.5%	27.1%	11.5%	44.9%
	Mass affluent housing					
	Budget housing					
Secured MSME (LAP)	Secured business loan	21.5	12.7%	22.1%	12.8%	22.6%
	Loan against property (LAP)					
	LAP plus					
Used car loans	Pre-owned car loans	6.7	15.0%	8.4%	15.0%	5.0%
Business loan	Microfinance loans	0.6	18.9%	6.7%	18.4%	2.7%
	Business loans	8.2	20.3%	7.9%	20.0%	6.7%
	Merchant BNPL					
Salaried PL	Salaried personal loans	4.1	17.7%	10.4%	17.6%	7.0%
Digital loan	Digital purchase finance	0.5	17.4%	12.3%	18.0%	7.0%
	Digital personal loans					
Total / weighted average		12.8	14.2%		13.5%	

Source: Company, MOFSL



## Highlights from the management commentary

## Financial and Business Highlights

- Growth business, which comprises Retail and wholesale 2.0, sustained healthy momentum during the quarter.
- PAT stood at ~INR1.8b vs. ~INR1.4b in 4QFY24.
- Total AUM grew ~10% YoY ~INR706b.
- Growth business grew ~51% YoY to ~INR576b. It now accounts of 82% of total AUM.
- Within growth business, retail business grew ~42% YoY to ~INR505b.
- Wholesale 2.0 AUM grew ~132% YoY to ~INR71b.
- GNPA was ~2.7% and NNPA was ~1.1% as on Jun'24.
- CoB was flat at ~8.9% QoQ.

## Growth Business

- NII rose ~34% YoY, led by ~51% YoY growth in AUM.
- Increase in cost of funds along expected lines. NIMs across business segments stood at ~6.7%.
- Opex to AUM declined by ~104bp YoY to ~4.6%.
- 90+ delinquency at ~0.6% for retail business and there is no 90+dpd for wholesale 2.0 business.
- Credit cost stood at ~1.6% vs. (~0.8% in Q1FY24). Credit cost in 1QFY24 has benefitted from one-time write-back due to a change in ECL policy.

## Borrowings:

- Securitization is now ~12% of overall borrowings
- Successfully raised first ever USD300m dollar bond in Jul'24
- Continues to look for diversification in borrowings with Securitization and International borrowings.

**Retail Business:**

- AUM grew by ~43% YoY and disbursements stood at ~INR68b, up ~19% YoY.
- Housing and LAP grew ~37% YoY to ~INR34b, contributing ~67% to retail AUM.
- There was a temporary impact of ~INR2.5b on mortgage disbursements due to regulatory Fair Practices code circular.
- 90+dpd in the retail business stood at ~30bp.
- AUM in car business up ~150% YoY. Salaried personal loans up ~195% YoY and business loans up ~62% YoY.
- Calibrated disbursements in digital loans led to benign risk performance. Digital loan volumes are down ~50% from 1QFY24 peak.
- Increase in yield in retail is due to price increase across products, effective April 1.

**Wholesale lending and legacy business**

- Wholesale lending 2.0 AUM grew 11% QoQ to ~INR71b. The ATS in the wholesale 2.0 business is ~INR740m.
- There is not even a single delay in Wholesale 2.0 business since the inception of the business.
- In wholesale legacy business, ~INR2.6b management overlay was utilized during the quarter.
- Legacy discontinued AUM declined by ~INR16b to ~INR130b. The book is down ~50% YoY. Legacy AUM is ~18% of total AUM and the company guided for legacy AUM to decline to <10% of total AUM by Mar'25.

**Guidance:**

- Company guided for Opex/AUM of ~3.5%-4% in the medium term.
- Management aims to reduce legacy AUM to <10% by year end.
- Company to focus more on cross selling during the year.
- The company has taken a PLR increase of ~25bp effective August 1 across all its product portfolios.
- COB continued to rise and hence there will be pressure on NIMs for the next 1-2 quarters.

**Others**

- The merger process of PEL and PCHFL is on track. The scheme has been filed with stock exchanges after Board approval.
- Company is working towards recoveries from AIF of ~INR12b during the year.
- There is a higher 90+dpd in Business loans at ~140bp. The same is priced in yields of ~20%.

### Valuation and view

- Our earnings estimates for FY25 and FY26 only factor in exceptional gains from AIF exposures and low tax outgo in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of the stake in Shriram Life and General insurance, we have not factored it in our estimates yet. It will, however, provide one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We expect PIEL to deliver ~1.7% RoA and ~6% RoE in FY26. We value the lending business at 0.6x FY26E P/BV and **maintain our Neutral rating on the stock with a revised TP of INR950 (premised on Mar'26 SOTP).**

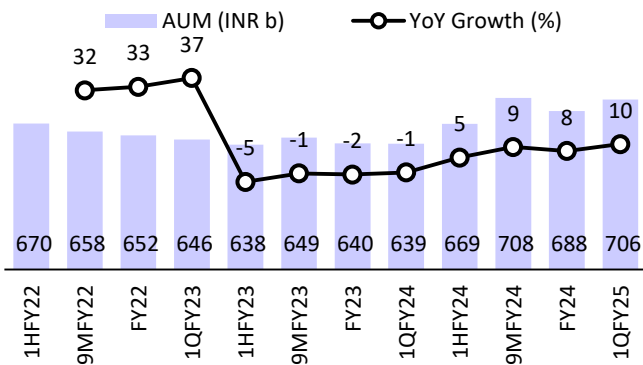
#### Exhibit 2: SOTP valuation – Mar'26

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	175	2.1	779	82	❖ 0.6x Mar'26E PBV
Shriram Group	30	0.4	134	14	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	4	0.0	17	2	❖ 0.4x FY23 EV
Alternatives	5	0.1	20	2	❖ 0.4x FY23 Equity
<b>Target Value</b>	<b>213</b>	<b>2.6</b>	<b>950</b>	<b>100</b>	

Source: MOFSL, Company

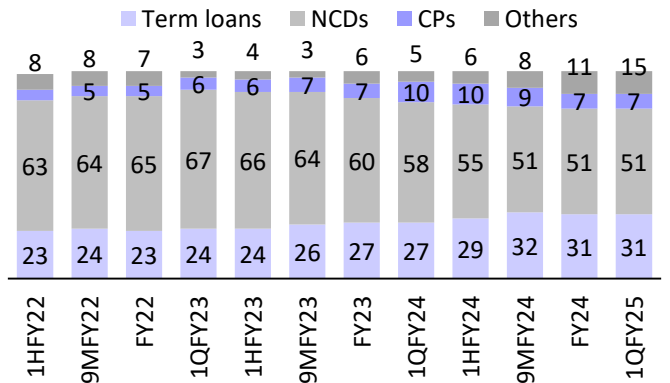
Key exhibits

Exhibit 3: AUM grew 10% YoY (%)



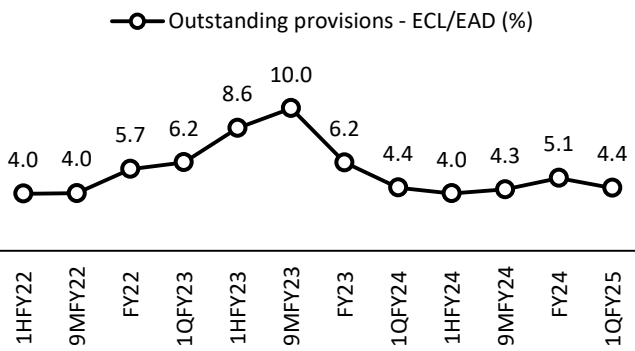
Source: MOFSL, Company

Exhibit 4: Borrowing mix (%)



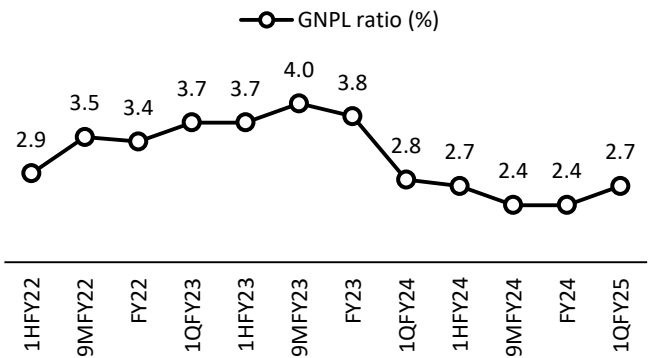
Source: MOFSL, Company

Exhibit 5: ECL/EAD declined ~70bp QoQ (%)



Source: MOSL, Company

Exhibit 6: GNPA ratio rose ~30bp QoQ (%)



Source: MOSL, Company

## Financials and valuations

### Income statement

	INR m				
Y/E March	FY22	FY23	FY24	FY25E	FY26E
Interest Income	75,228	77,986	74,230	86,722	1,10,550
Interest Expended	42,251	40,412	44,004	53,018	61,844
<b>Net Interest Income</b>	<b>32,977</b>	<b>37,574</b>	<b>30,226</b>	<b>33,704</b>	<b>48,706</b>
Change (%)	19.1	13.9	-19.6	11.5	44.5
Other Income	3,881	12,881	9,480	14,653	14,392
<b>Net Income</b>	<b>36,858</b>	<b>50,456</b>	<b>39,706</b>	<b>48,358</b>	<b>63,098</b>
Change (%)	27.8	36.9	-21.3	21.8	30.5
Operating Expenses	12,284	22,148	27,740	30,116	35,656
<b>PPoP</b>	<b>24,574</b>	<b>28,307</b>	<b>11,966</b>	<b>18,242</b>	<b>27,442</b>
Change (%)	9.4	15.2	-57.7	52.5	50.4
Provisions/write offs	8,299	54,101	39,900	22,459	15,692
<b>PBT</b>	<b>16,275</b>	<b>-25,793</b>	<b>-27,934</b>	<b>-4,218</b>	<b>11,749</b>
Tax	4,062	-39,781	-11,030	-633	0
Tax Rate (%)	19.0	0.0	0.0	15.0	0.0
<b>PAT (before associate income)</b>	<b>12,213</b>	<b>13,987</b>	<b>-16,904</b>	<b>-3,585</b>	<b>11,749</b>
Associate Income	5,939	3,886	1,540	770	847
<b>PAT (before exceptional)</b>	<b>18,152</b>	<b>17,873</b>	<b>-15,364</b>	<b>-2,815</b>	<b>12,596</b>
Exceptional items	-1,529	80,663	-1,480	12,000	5,000
<b>PAT (after exceptional)</b>	<b>16,622</b>	<b>98,536</b>	<b>-16,844</b>	<b>9,185</b>	<b>17,596</b>
Profit from discontinued Operations	3,365	0	0	0	0
<b>Reported net profit/loss</b>	<b>19,988</b>	<b>98,536</b>	<b>-16,844</b>	<b>9,185</b>	<b>17,596</b>

### Balance sheet

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Capital	477	477	449	449	449
Reserves & Surplus	3,54,414	3,10,114	2,65,121	2,72,060	2,85,982
<b>Net Worth</b>	<b>3,68,369</b>	<b>3,10,591</b>	<b>2,65,571</b>	<b>2,72,509</b>	<b>2,86,431</b>
Borrowings	5,54,510	4,95,828	5,34,020	6,31,203	7,90,490
Change (%)	48	-11	8	18	25
Other liabilities	39,549	23,891	24,274	27,915	32,102
<b>Total Liabilities</b>	<b>9,98,729</b>	<b>8,37,522</b>	<b>8,26,050</b>	<b>9,31,626</b>	<b>11,09,024</b>
<b>Loans and advances</b>	<b>4,93,180</b>	<b>4,63,946</b>	<b>5,49,434</b>	<b>7,38,355</b>	<b>9,70,959</b>
Change (%)	7	-6	18	34	32
<b>Investments</b>	<b>2,48,565</b>	<b>2,23,318</b>	<b>1,25,130</b>	<b>68,822</b>	<b>55,057</b>
Net Fixed Assets	86,715	7,385	6,232	6,856	7,541
Cash and Cash equivalents	71,872	46,491	44,468	50,000	30,000
Deferred tax assets	13,679	18,472	28,756	14,378	7,189
Other assets	71,366	77,910	72,030	53,216	38,277
<b>Total Assets</b>	<b>9,98,729</b>	<b>8,37,522</b>	<b>8,26,050</b>	<b>9,31,626</b>	<b>11,09,024</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Spreads Analysis (%)</b>					
Yield on loans	14.4	13.0	11.6	11.5	11.8
Cost of funds	9.1	7.7	8.5	9.1	8.7
Spread	5.3	5.3	3.0	2.4	3.1
Net Interest Margin	6.3	6.3	4.7	4.5	5.2

### Profitability Ratios (%)

RoE	6.6	5.3	-5.8	3.4	6.3
RoA	2.3	1.9	-2.0	1.0	1.7
C/I ratio	33.3	43.9	69.9	62.3	56.5

### Asset Quality (%)

Gross NPA	22,270	20,550	14,300	16,395	16,864
Gross NPA (% of AUM)	3.6	3.3	2.2	2.0	1.6
Net NPA	9,980	10,380	4,960	4,918	5,059
Net NPA (% of AUM)	1.7	1.8	0.8	0.6	0.5
PCR (%)	55.2	49.5	65.3	70.0	70.0

Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>AUM (INR m)</b>					
	6,51,850	6,39,890	6,88,460	8,19,744	10,53,987
YoY growth (%)		-2	8	19	29
<b>AUM Mix (%)</b>					
Wholesale	69.6	49.8	30.4	18.4	15.7
Retail	33.1	50.2	69.6	81.6	84.3
<b>Total</b>	<b>102.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Wholesale Loans (INR m)	3,84,620	2,74,960	2,09,190	1,50,617	1,65,678
YoY growth (%)	-2.3	-28.5	-23.9	-28.0	10.0

Retail Loans (INR m)	2,15,520	3,21,440	4,79,270	6,69,127	8,88,309
YoY growth (%)	306.4	49.1	49.1	39.6	32.8

<b>Total Loan Book</b>	<b>6,00,140</b>	<b>5,96,400</b>	<b>6,88,460</b>	<b>8,19,744</b>	<b>10,53,987</b>
YoY growth (%)	34.4	-0.6	15.4	19.1	28.6

VALUATION	FY22	FY23	FY24	FY25E	FY26E
Book Value (INR)	1,544	1,301	1,182	1,213	1,275
<b>Price-BV (x)</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
EPS (INR)	69.7	74.9	-75.0	40.9	78.3
EPS Growth YoY	-6	8	-200	-155	92
<b>Price-Earnings (x)</b>	<b>14.2</b>	<b>13.2</b>	<b>-13.2</b>	<b>24.1</b>	<b>12.6</b>
Dividend per share (INR)		31.0	10.0	16.4	19.6
<b>Dividend yield (%)</b>		<b>3.1</b>	<b>1.0</b>	<b>1.7</b>	<b>2.0</b>

E: MOFSL Estimates



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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