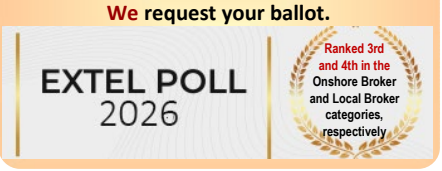
17 November 2026
Company update| Sector: NBFCs

Poonawalla Fincorp

BSE SENSEX	S&P CNX
82,532	25,387

POONAWALLA FINCORP

Motilal Oswal values your support in the EXTEL POLL 2026 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Bloomberg	POONAWAL IN
Equity Shares (m)	881
M.Cap.(INRb)/(USDb)	430.5 / 4.6
52-Week Range (INR)	512 / 361
1, 6, 12 Rel. Per (%)	-1/11/7
12M Avg Val (INR M)	885

Financials Snapshot (INR b)

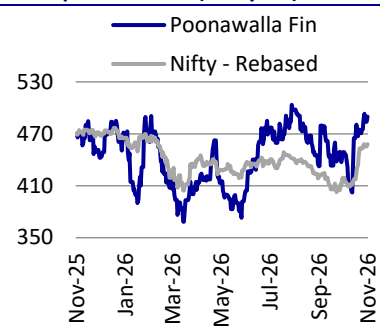
Y/E March	FY26	FY27E	FY28E
Net Total Income	40.3	67.2	95.9
PPOP	19.3	37.2	54.9
PAT	5.4	16.3	26.6
EPS (INR)	6.7	18.6	30.4
EPS Gr. (%)	-	177	63
Standalone BV (INR)	127	165	193
Ratios			
NIM on AUM (%)	7.0	7.7	7.9
C/I ratio (%)	52.0	44.7	42.8
RoAA (%)	1.1	2.2	2.4
RoE (%)	5.9	13.2	17.0
Payout (%)	0.0	10.8	9.9
Valuations			
P/E (x)	72.9	26.3	16.1
P/BV (x)	3.8	3.0	2.5
Div. Yield (%)	0.0	0.4	0.6

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	59.0	59.0	64.0
DII	17.2	16.7	12.3
FII	11.6	11.5	11.2
Others	12.2	12.8	12.6

FII includes depository receipts

Stock's performance (one year)



CMP: INR489 **TP: INR600 (+23%)** **Buy**

Scaling up; profitability catching up

Improving lending economics and operating leverage to boost RoA

- **Diversification is creating multiple engines of growth:** Poonawalla Fincorp (PFL) is transitioning toward a more diversified lending franchise, with new businesses gaining traction alongside its established lending segments. New products contributed ~28% of total disbursements in 2QFY27 and accounted for ~18% of AUM, highlighting their increasing relevance to the growth trajectory. Digital personal loans, gold loans, consumer durable financing and education loans are emerging as meaningful incremental growth drivers. We believe the combination of established franchises and new businesses should support sustainable growth, improve portfolio diversification and create opportunities for deeper customer engagement. We estimate PFL's AUM to grow at a CAGR of ~44% over FY26-28E.
- **Improving lending economics to support margin expansion:** PFL's lending economics are showing a meaningful improvement, supported by higher yields on fresh originations, a favorable product mix and greater pricing flexibility. Portfolio yields rose ~45bp QoQ to ~14.1% in 2QFY27, while the cost of borrowings was broadly stable at ~7.8%. The ~200bp differential between disbursement and portfolio yields provides a meaningful repricing cushion, allowing higher origination yields to progressively flow through to the outstanding book. Together with the company's ability to selectively pass on higher funding costs to borrowers, this should support NIM expansion to ~7.7%/7.9% in FY27E/FY28E (from 7% in FY26).
- **Improving origination quality to reduce credit costs:** Asset quality indicators are improving across portfolio stages, reflecting tighter underwriting, better borrower selection and stronger collection capabilities. More importantly, the 6-MoB 30+ DPD ratio for recent originations declined to ~0.35% in 2QFY27 from ~0.7% in the preceding quarter. PFL's investments in proprietary AI/ML-based credit models, predictive analytics and specialized collection teams should further strengthen its risk architecture as the franchise scales. We expect credit costs to moderate to 2.2%/1.9% in FY27/FY28E from 2.7% in FY26.
- **Converging profitability drivers underpin a stronger RoA trajectory; reiterate BUY:** PFL is moving from a phase of building distribution, technology and collection infrastructure toward increasingly monetizing these investments. Higher utilization of its expanded distribution network, increasing contribution from digital sourcing, cross-selling opportunities and AI-led productivity improvements should enable AUM growth to outpace operating expense growth. With lending spreads improving and credit costs moderating, operating leverage should be the third leg of RoA expansion. We estimate RoA/RoE to improve to 2.4%/17% in FY28E, from 1.1%/5.9% in FY26. PFL trades at ~2.5x FY28E P/B. We estimate PAT CAGR of 121% over FY26-28E (albeit on a relatively low PAT base of FY26). **Reiterate BUY with a TP of INR600, based on 2.8x Sep'28E BVPS.**

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Diversification and expanding distribution to help sustain strong growth momentum

PFL is transitioning toward a more diversified lending franchise, with new businesses increasingly complementing its established growth engines. The growing contribution of these businesses, supported by deeper digital penetration and an expanding distribution network, is creating multiple avenues for incremental growth. New products contributed ~28% of total disbursements in 2QFY27 (~18% of AUM), up from 24% in 4QFY26, highlighting improving traction across recently launched businesses. Meanwhile, investments in distribution expansion, improving network productivity and deeper engagement with existing customers should create opportunities for cross-selling, enhance customer lifetime value and improve acquisition economics. Importantly, a more diversified lending portfolio should also provide greater resilience against segment-specific disruptions, including weather-related shocks, given PFL's relatively lower direct exposure to agriculture-linked activities. While a prolonged rural slowdown could have second-order implications through weaker consumption and stress among small businesses, the diversified nature of its portfolio should help contain the overall impact. We expect PFL to deliver an AUM CAGR of ~44% over FY26-28E.

Favorable yield transmission and product mix to drive margin expansion

PFL is witnessing an improvement in its lending economics, with higher yields on fresh originations progressively translating into better portfolio yields. Portfolio yields increased 45bp QoQ to 14.1% in 2QFY27, while disbursement yields expanded ~20bp, reflecting the benefits of a more remunerative product mix and improving pricing discipline. Importantly, the 200bp differential between disbursement yields and portfolio yields provides a meaningful cushion for incremental yield accretion as new, higher-yielding originations season into the book. On the liability side, the cost of borrowings was broadly stable at ~7.8% (vs. ~7.7% in 1QFY27), supported by a diversified borrowing mix. Further, PFL has already implemented a ~25bp increase in lending rates and retains the flexibility to undertake additional repricing, depending on product-level competitive dynamics and funding cost movements. While a steady increase in borrowing costs could exert some pressure on spreads, the healthy yield differential and pricing flexibility should provide a reasonable buffer. We expect PFL to deliver NIMs of ~7.7%/7.9% in FY27E/FY28E, compared with 7% in FY26.

Improving origination quality to reduce credit costs

PFL is witnessing a broad-based improvement in asset quality, reflecting the benefits of tighter underwriting standards, better-quality fresh originations and strengthening collection capabilities. Stage 1 assets improved ~25bp QoQ to 97.9% in 2QFY27, while Stage 2 and Stage 3 assets declined to 0.9% and 1.2%, respectively. More importantly, early-vintage performance is showing encouraging improvement, with the 6-MoB 30+ DPD ratio for recent originations declining to 0.35% from 0.7% in the preceding quarter. This improvement is particularly encouraging given the increasing contribution of new lending businesses to incremental disbursements. PFL's investments in underwriting calibration, proprietary AI/ML-led risk models and specialized collection infrastructure should further strengthen its ability to identify emerging stress and improve borrower selection. While newer portfolios will need to demonstrate resilience through a longer seasoning cycle, the improving early-vintage indicators provide comfort on the direction of asset quality. We expect credit costs to moderate to 2.2%/1.9% in FY27E/FY28E from 2.7% in FY26.

Embedding AI across business functions to enhance productivity and profitability

PFL is evolving its AI strategy from standalone use cases toward a scalable, platform-led architecture, with reusable agents, connectors and workflows enabling faster deployment across business functions. The company is increasingly translating these capabilities into tangible business outcomes through better customer engagement, improved loan conversions and more cost-efficient customer acquisition. AI-led marketing campaigns have delivered 1.5-2x higher click-through rates at over ~60% lower costs, highlighting the potential for meaningful improvements in acquisition economics. Further, conversational agents, chatbots and agentic workflows are streamlining customer journeys and automating routine employee tasks, thereby improving execution productivity. As these capabilities gain wider adoption, AI should become an important enabler of business scalability, process efficiency and cost optimization. Over time, this should complement the benefits of digital distribution and infrastructure utilization, supporting operating leverage and PFL's progression toward a higher profitability trajectory.

Valuation and view

PFL is entering an important phase of its business transformation, moving from building a diversified lending franchise and investing in distribution, technology and risk infrastructure toward increasingly monetizing these capabilities. The growing contribution of new businesses should help to sustain strong loan growth, while deeper digital penetration, cross-selling and improving distribution productivity should enhance customer acquisition economics and infrastructure utilization. More importantly, the convergence of three key profitability drivers – improving lending spreads, moderating credit costs and operating leverage, provides a strong foundation for a sustained recovery in return ratios. Increasing utilization of the expanded distribution network and technology-led productivity gains should allow operating expenses to grow at a slower pace than the loan book. We believe this combination should enable PFL to translate its strong growth trajectory into progressively better earnings quality and sustainable RoA expansion. The stock currently trades at ~2.5x FY28 P/B. We model ~44% AUM CAGR and ~121% PAT CAGR over FY26-FY28E and expect PFL to deliver RoA/RoE of 2.4%/17% in FY28E. **Reiterate our BUY rating with a TP of INR600 (based on 2.8x Sep'28E BV).**

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**	**489**	**430**	**18.6**	**30.4**	**165**	**193**	**2.2**	**2.4**	**13.2**	**17.0**	**26.3**	**16.1**	**3.0**	**2.5**
BAF	Buy	1,120	6,902	42.0	51.3	240	287	4.2	4.1	19.8	19.6	26.7	21.8	4.7	3.9
ABCL	Buy	413	1,115	20.7	26.8	158	182	-	-	14.5	15.8	19.9	15.4	2.6	2.3
LTFH	Buy	280	694	16.4	19.4	125	141	2.6	2.6	13.8	14.6	17.1	14.4	2.2	2.0
Piramal	Buy	2,101	475	99.8	149.7	1,378	1,523	2.0	2.5	7.8	10.4	21.1	14.0	1.5	1.4
MAS Financial	Buy	264	48	25.2	28.6	183	209	3.2	3.0	14.7	14.6	10.5	9.2	1.4	1.3
IIFL Finance	Buy	636	278	81.1	80.2	533	520	3.5	3.6	18.8	17.0	7.8	7.9	1.2	1.2
HDB Financial	Neutral	573	470	39.4	44.8	288	333	2.5	2.5	14.7	14.4	14.5	12.8	2.0	1.7
Jio Financial	Buy	229	1,437	3.1	5.3	232	255	1.3	2.3	3.3	6.7	73.1	43.3	1.0	0.9
Northern Arc	Buy	283	44	35.1	44.8	277	321	3.0	3.1	13.6	15.0	8.0	6.3	1.0	0.9
Tata Capital	Neutral	345	1,482	16.2	20.6	126	147	2.1	2.2	13.8	15.1	21.3	16.8	2.7	2.3

Story in charts

Exhibit 2: Expect an AUM CAGR of ~44% over FY26-FY28

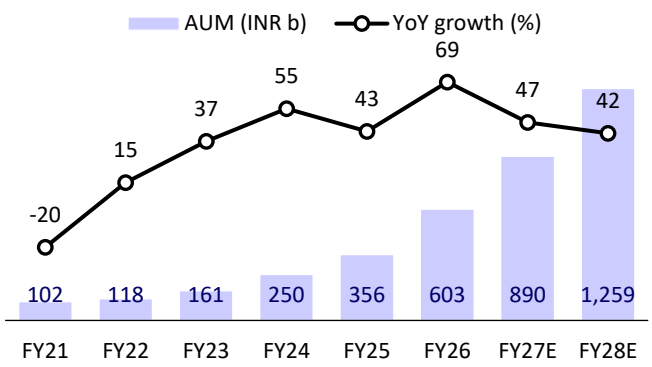


Exhibit 3: Disbursement CAGR of ~36% over FY26-FY28E

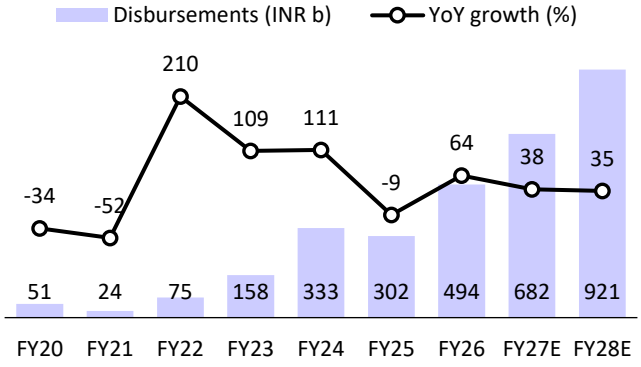


Exhibit 4: Spreads to improve to ~7.2% in FY28E

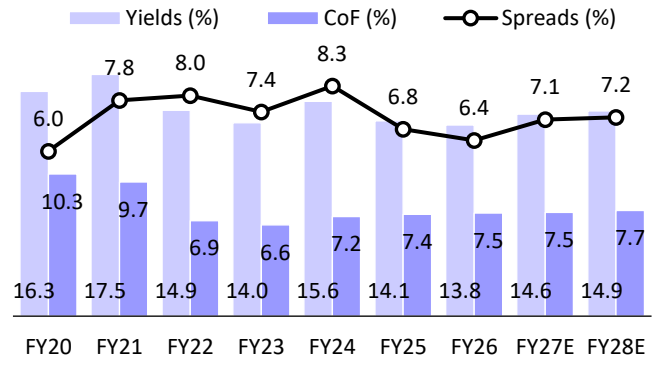


Exhibit 5: Expect NIM to reach ~7.9% by FY28 (%)

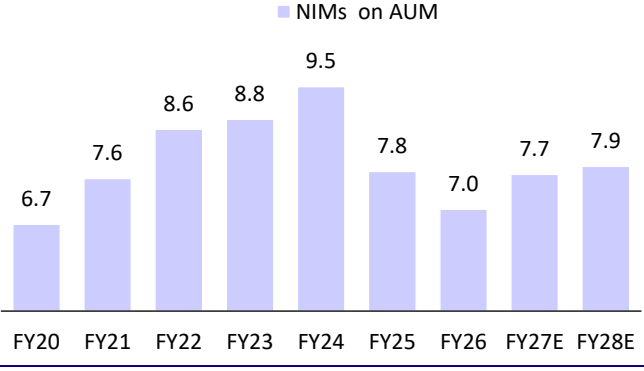


Exhibit 6: C/I ratio expected to decline to ~43% by FY28

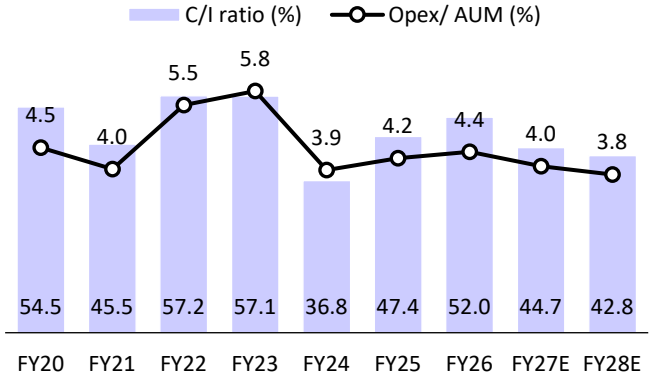


Exhibit 7: Asset quality likely to improve gradually

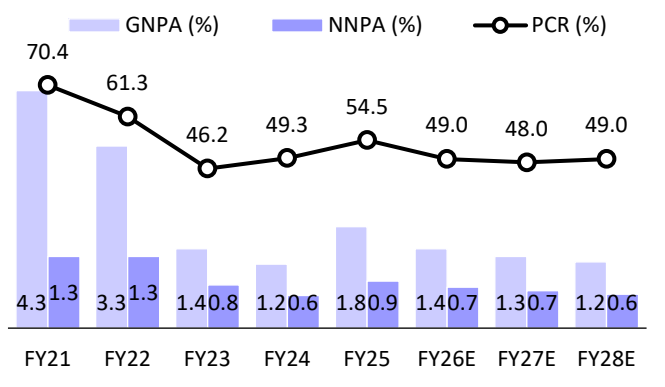
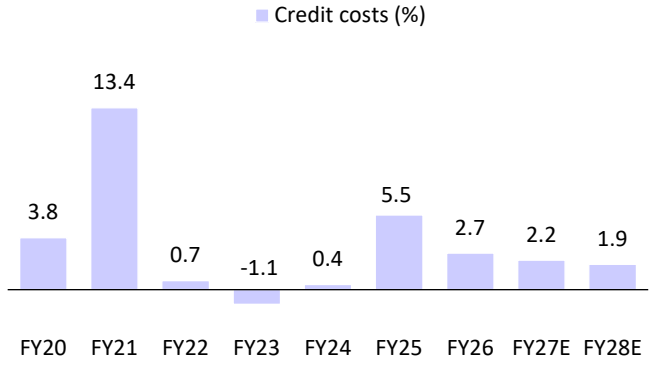
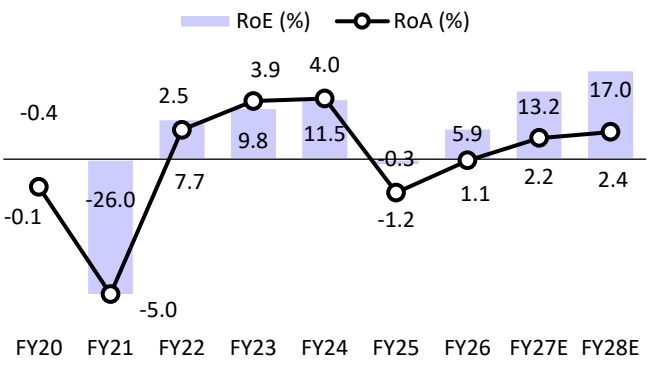


Exhibit 8: Credit costs to decline to ~1.9% in FY28E



Source: MOFSL, Company

Exhibit 9: Expect an RoA/RoE of 2.4%/17% in FY28



Source: MOFSL, Company

Diversification is creating multiple growth engines

PFL is transitioning towards a more diversified lending franchise, with newer businesses increasingly contributing to incremental growth. New products account for ~28% of total disbursements in 2QFY27 (~18% of AUM), up from 24% in 4QFY26, reflecting improving traction across recently launched businesses. Importantly, the diversification across product segments provides greater resilience to the overall growth trajectory, as any moderation in one segment can potentially be offset by stronger growth in other businesses. This reduces dependence on individual lending segments and provides multiple avenues for sustaining growth.

Prime PL

- A key pillar of this strategy is the expansion of its digital lending franchise, particularly in Prime PL. The 24x7 digital Prime PL platform is gaining traction, now contributing ~42% of personal loan disbursements (vs. 38% in 1QFY27), with average monthly disbursements reaching INR5.8b, up 8% QoQ. The increasing contribution of digital origination is not only supporting growth but also creating a structurally more efficient distribution model, with lower incremental acquisition costs and better operating leverage.

Gold Loans

- Alongside digital lending, PFL is aggressively building its secured and semi-secured lending franchises, with gold loans emerging as an important growth engine. The business is benefiting from a combination of geographical expansion and improving productivity of existing branches. Quarterly disbursements increased to INR10.7b from INR8.8b in 1QFY27, while the branch network expanded to 550 from 460, with 90 new branches added in 2QFY27.
- With plans to add ~200 branches in FY27, the company is building distribution capacity to capture the opportunity in a relatively high-yielding secured lending segment. Importantly, improving productivity of the existing network and an estimated branch break-even period of ~13 months should support the economics of this expansion.

Consumer Durable Loans

- The consumer durable financing franchise is also gaining scale, supported by deeper OEM/dealer relationships and expanding geographical reach. The business has doubled its franchise YoY, with its distribution network now spanning 20,000 dealers across 360 locations. Quarterly disbursements increased to INR6.1b from INR4.3b in 1QFY27, indicating improving monetization of the expanded distribution network. More importantly, the company is beginning to unlock cross-selling opportunities from its existing customer cohorts, which could enhance customer lifetime value and improve acquisition economics as the portfolio matures.

CV Financing and Education Loans

- Despite uncertainties surrounding global fuel prices, the CV financing business recorded average monthly disbursements of INR1.3b in 2QFY27. The company further strengthened its distribution network, expanding channel partners to 1,250, and extending its geographical presence to over 90 locations across 13

states. The expanding distribution footprint provides a strong foundation for scaling the business.

- The education loan business continued to gain traction, with average monthly disbursements reaching INR2.2b. PFL has strengthened its origination capabilities by expanding its consultant network to 700 partners. Further, its instant sanction platform is driving digital adoption, with ~35% of sanctions now being processed entirely digitally, supporting a more streamlined and efficient origination process.

Exhibit 10: New product disbursements contributed ~28% to total disbursements

Products	Prime PL	Gold	Education	Cons. Durable	CV	Shopkeeper
AUM (INR m)	66,620	23,550	19,150	8,590	14,590	10
% of AUM	9	3	3	1	2	0
Ticket Size	INR100k-7.5m	INR10k-10m	INR100k-30m	INR5k-500k	INR75k-25m	INR100k-1.5m
Tenure	12-84m	<=36m	<=15y	3-36m	12-72m	6-48m
RoI	13-16%	11-28%	10.5-13%	Up to 35%	10-20%	18-22%
Customer segment	Salaried customers of top corporates	Tier II/ III households	Domestic students for international UG and PG courses	Salaried /Self employed	Small fleet operators in Tier II/ III cities; focused on used CVs	Self Employed, MSME Customers
Sourcing Channel	Physical	Dedicated gold loan branches	Consultant partnership	Dealer networks	Channel partners/ Direct channel/ Digital on-boarding	Direct channel

Source: Company, MOFSL

Diversification enhances resilience against external shocks

- Beyond supporting growth, the increasing diversification of PFL's lending franchise also provides a degree of insulation against sector-specific and macroeconomic disruptions. For instance, adverse monsoon conditions or an El Nino-induced drought could weigh on agricultural incomes, rural consumption and the repayment capacity of borrowers exposed to these segments. However, PFL's relatively diversified portfolio, spanning digital personal loans, consumer durable financing, gold loans, education financing and other business lending segments, reduces its direct dependence on agricultural activity.
- While a prolonged rural slowdown could still have second-order implications through weaker consumption and stress among small businesses, the impact is unlikely to be uniformly transmitted across its entire loan book. This broad-based lending exposure should therefore help moderate the sensitivity of portfolio growth and asset quality to agriculture-led economic disruptions.
- Overall, PFL's growth strategy is anchored in its established lending franchises, with newer businesses providing complementary growth engines and further diversifying the portfolio. The company aims to deliver an AUM CAGR of ~35-40% over the next couple of years, driven primarily by sustained traction in its core businesses, supplemented by the scaling up of newer segments, deeper digital penetration and expanding distribution. This combination of established growth drivers and emerging businesses should enhance portfolio resilience, create additional cross-selling opportunities and deepen customer relationships. We expect PFL to deliver a robust AUM CAGR of ~44% over FY26-28.

Exhibit: Existing businesses parameters

Products	Instant Consumer Loan	LAP	Pre-owned Car loan	Business Loan	Mid-Market	Machinery and Medical Equipment	Professional
AUM (INR m)	1,51,680	2,00,130	50,960	73,030	1,11,420	8,830	7,900
% of AUM	20	27	7	10	15	1	1
Ticket Size	INR50k-500k	INR5.1m-250m	INR200k-10m	INR500k-10m	INR200m-500m	INR200k-100m	INR500k-7.5m
Tenure	6-36m	3-15y	12-72m	6-60m	up to ~36m	12-84m	12-60m
RoI	22-29%	9.75-12%	14-16%	17-22%	10-12%	9.5-14%	12-14%
Customer segment	Salaried & Self-employed customers	Self-employed, MSMEs	Self-employed / Salaried	Self-employed, MSMEs	Well rated corporates and NBFCs	SMEs	Doctors and CAs
Sourcing Channel	Digital partnership/ Organic led	DSA led, Direct channel	Dealer network / DSA led	DSA led / Direct channel	Direct and other lending relationships	DSA led, OEMs, Direct channel	Digital partnership, DSA led and Direct channel

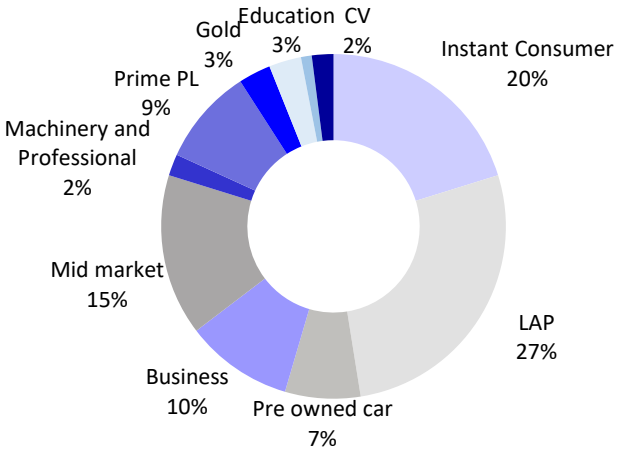
Source: Company, MOFSL

Exhibit: Significant YoY/ QoQ progress in the newly launched business

Quarters	2QFY26	1QFY27	2QFY27
PL Prime	Average monthly disbursement ~INR4b	Average monthly disbursement ~INR5.4b	Average monthly disbursement of ~INR5.8b
Gold Loan	160 branches	460 branches; Avg monthly disbursement ~INR2.9b	550 branches; Average monthly disbursements of ~INR3.6b
Consumer Durable	10000+ dealers across 190 locations	17300+ dealers in 339 locations; Avg monthly disbursement ~1.4b	20,000+ dealers in 360 locations; Avg monthly disbursement ~INR2b
CV	450 partners across 49 locations/ 12 states	1100 partners across 70 locations/ 13 states. Avg monthly disbursement ~INR1b	1,250 partners across 90 locations/ 13 states. Avg monthly disbursenment INR1.3b
Education	~200+ sales team and ~200 partners including key consultants	~300+ sales team with ~600 partners; Avg monthly disb ~INR1.4b	~300+ sales team with ~700 partners; Avg monthly disbursement ~INR2.2b

Source: Company, MOFSL

Exhibit 11: New loans contributed ~18% of the AUM



Source: MOFSL, Company

Improving lending economics to drive margin expansion

- PFL is witnessing a steady improvement in its core lending economics, with favorable yield transmission and a richer product mix supporting margin expansion. NIM plus fees improved to ~9.3% in 2QFY27 from ~9.1% in 1QFY27, reflecting the gradual repricing of the portfolio and increasing contribution from higher-yielding products.
- Portfolio yields rose ~45bp QoQ to ~14.1%, as higher yields on recent disbursements progressively flowed through the outstanding book. Importantly, the ~200bp differential between disbursement yields and portfolio yields provides a meaningful repricing cushion, allowing the company to absorb potential funding cost pressures while protecting lending spreads.
- On the liability front, PFL has largely contained the increase in its cost of borrowings at ~7.8% (vs. ~7.7% in 1QFY27), supported by a diversified borrowing mix. Further, the company has already implemented a ~25bp increase in lending rates and retains headroom for additional repricing, subject to product-level competitive dynamics.
- While potential regulatory changes in the insurance distribution business could trim insurance income, which contributed 6.7% of FY26 PPoP, the impact on the NIM+ fees component is expected to remain manageable. The healthy spread cushion and pricing flexibility should help offset this potential headwind and sustain core lending profitability. We expect PFL to deliver NIMs of ~7.7%/7.9% in FY27/FY28E.

Exhibit 12: Spreads to improve to ~7.2% in FY28E

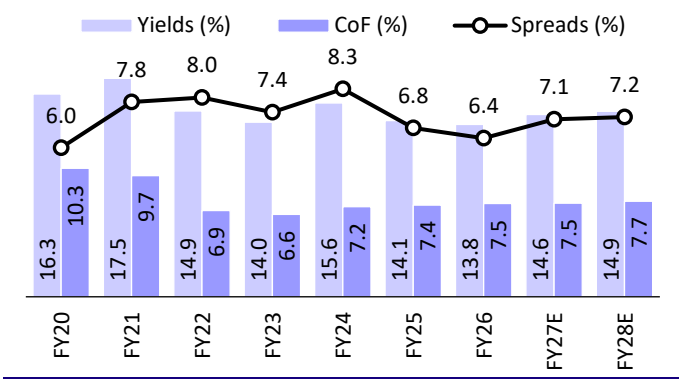


Exhibit 13: Portfolio yield rising with disbursement yields (%)

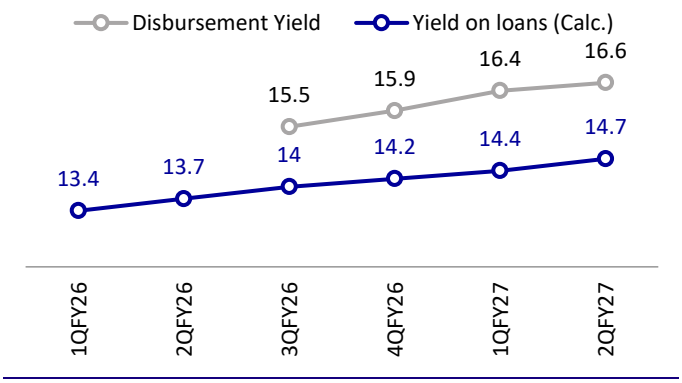
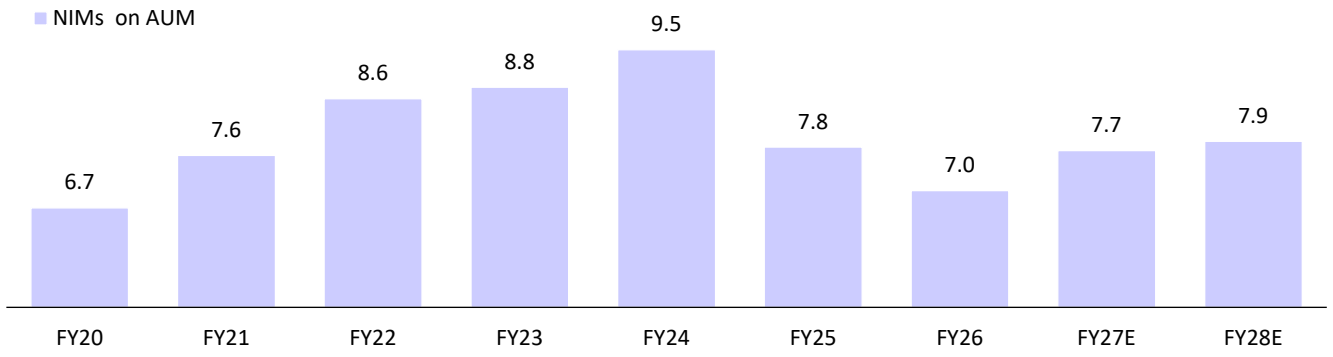


Exhibit 14: Expect NIM to reach ~7.9% by FY28 (%)



Source: MOFSL, Company

Exhibit 15: Risk Assessment

Risk factor	Impact Assessment	Assessment based on the company's business model and management commentary
Insurance commission regulatory changes	Moderate (★★★☆☆)	❖ Insurance commission income accounts for ~7% of company's FY26 PPoP and ~30bp of the average assets. While potential regulatory changes could result in some compression in insurance-related income, management expects the impact on NIM+Fee income to remain manageable, supported by healthy lending spreads and the ability to pass on higher funding costs.
Weather-related disruption (Weak monsoons, droughts and El Nino)	Low to moderate (★★☆☆☆)	❖ PFL's diversified lending portfolio reduces its direct dependence on agricultural activity. While prolonged weather disruptions could indirectly affect rural consumption and borrower repayment capacity, the overall impact should remain contained.
Increase in Repo rates	Moderate (★★★☆☆)	❖ Higher funding costs could put pressure on margins; however, the ability to pass on higher costs to borrowers and healthy lending spreads should provide a cushion.

Note:★☆☆☆☆ (Least affected), ★★☆☆☆ (Low to moderate), ★★★☆☆ (Moderate), ★★★★☆(Moderate to High), ★★★★★ (Most affected); Source: MOFSL, Company

Investments are beginning to translate into operating leverage

- PFL is transitioning from a phase of building business infrastructure to one of increasingly monetizing the capabilities it has created. Investments in distribution, collections and digital platforms are laying the foundation for incremental business growth without a commensurate increase in fixed costs. While opex-to-average AUM stood at ~4.2% for 2QFY27, reflecting frontloaded investments in collection capacity and branch expansion, the increase remained within the guided range. Management is prioritizing investments in scalable infrastructure over near-term cost optimization, with improving utilization expected to drive operating leverage as the franchise expands.
- Digital distribution and cross-selling are emerging as key drivers of this transition. The growing contribution of digital prime personal loans and adoption of instant sanction platforms in education lending demonstrate the ability to scale business through lower-cost channels. At the same time, the company is beginning to monetize its existing customer franchise through cross-selling, leveraging multiple products catering to the borrowing needs of the same households and businesses. As penetration deepens, incremental products can be distributed at a lower acquisition cost, improving customer lifetime value and overall unit economics.

- Alongside digital expansion, the company will continue investing in physical distribution, particularly across newer businesses. Gold loan branches typically achieve break-even in ~13 months, while improving productivity of existing branches should progressively enhance returns on distribution investments. Management plans to add 300-400 branches annually across its businesses, including ~200 gold loan branches in FY27. Similarly, consumer durable are expected to contribute increasingly to profitability as their distribution networks mature, customer cohorts season and cross-selling opportunities deepen.
- Overall, increasing utilization of existing infrastructure, deeper customer monetization and a gradual shift toward lower-cost digital origination should allow the company to scale its lending franchise without a proportionate increase in operating expenses. This provides a structural foundation for operating leverage and sustained improvement in RoA. We expect PFL's CI ratio to decline to ~43% by FY28E (from ~52% in FY26).

Exhibit 16: C/I ratio expected to decline to ~43% by FY28

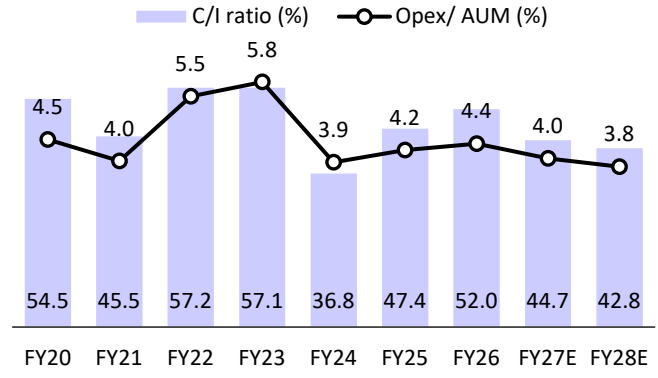
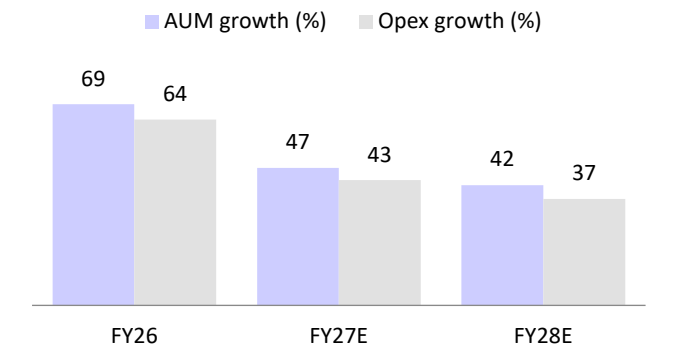


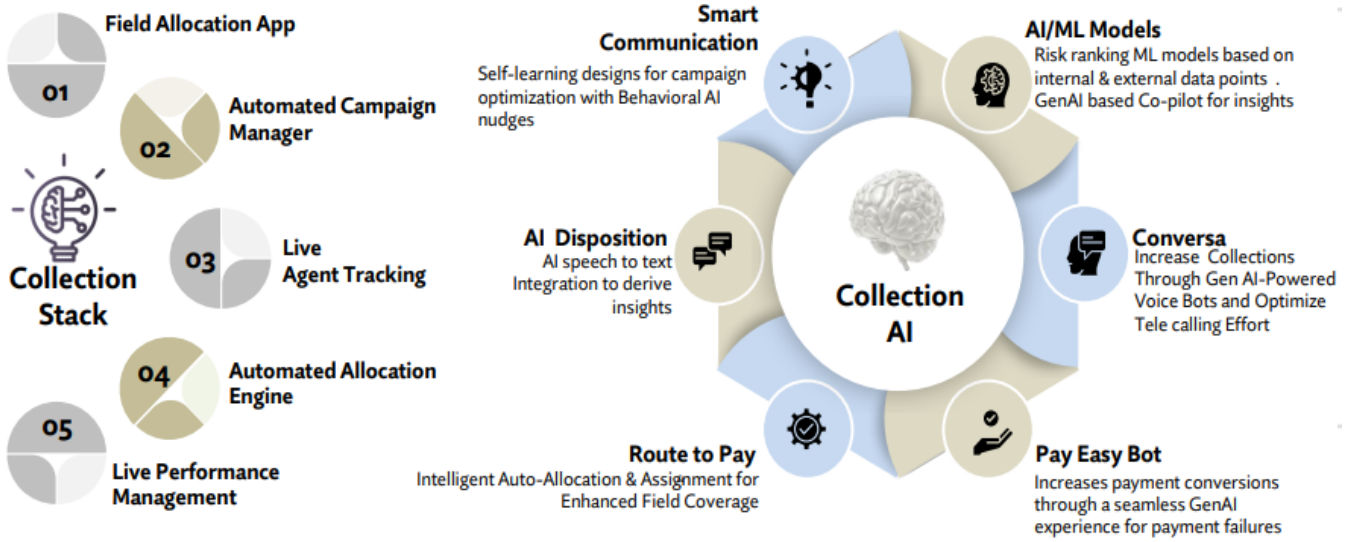
Exhibit 17: AUM growth expected to outpace opex growth



Embedding AI across business functions to enhance productivity and cost efficiency

- The company's AI strategy is evolving from developing standalone solutions towards building a common, reusable platform that enables faster and more cost-efficient deployment across business functions. Its AI portfolio has expanded to 143 projects, of which 84 are already live, with reusable agents, connectors and workflows allowing capabilities developed for one use case to be deployed across multiple functions. This platform-led approach is improving execution productivity, with incremental project output growing faster than the resources deployed.
- AI is increasingly moving beyond internal productivity towards direct business generation. Conversational agents, chatbots, voice bots and video agents across personal loan journeys are improving customer engagement and facilitating application completion, with AI-influenced disbursements increasing month-on-month. Meanwhile, MyBot is evolving from a knowledge assistant into an agentic platform capable of executing workflows and routine service requests, enabling employees to move from accessing information to completing tasks through AI.

Exhibit 18: Leveraging technology and AI for improving collections



Source: Company, MOFSL

- AI-led marketing is also delivering tangible economic benefits. The company's 14 specialized creative agents have generated over 2,200 assets, including more than 140 videos, with AI-generated campaigns delivering 1.5-2x higher click-through rates. These campaigns support outreach to over 1.5m customer leads every month at more than ~60% lower cost than traditional agency models, highlighting the potential for AI to improve both customer acquisition productivity and marketing efficiency.
- Importantly, the company is building governance alongside deployment through a standardized framework covering pre-deployment red-team testing, security and compliance checks, and continuous post-deployment monitoring. This should enable AI adoption to scale across the regulated lending environment while maintaining appropriate controls over data security, reliability and operational risks.
- We believe AI represents a structural productivity lever rather than merely a technology investment for the company. As reusable platforms, agentic workflows and AI-led customer engagement become increasingly embedded across business functions, they should improve employee productivity, accelerate business execution and lower incremental operating costs. Together with digital distribution and cross-selling, these capabilities provide a meaningful runway for operating leverage and profitability improvement over the medium term.

Exhibit 19: Risk Management strategy

Focus on retail lending	**Building a granular retail portfolio with a prudent secured-unsecured mix and low concentration risk.**
Product diversification	❖ Diversifying across individuals, MSMEs and corporates for risk-calibrated growth.
Extensive use of analytics	❖ Leveraging bureau and alternative data for sharper risk assessment and customer segmentation.
Strengthening monitoring & governance	❖ Strengthening real-time portfolio monitoring through defined risk triggers and product-level oversight.
Strengthening lending framework	❖ Leveraging AI/ML for predictive risk modelling, credit scoring and technology-led risk management.

Source: MOFSL, Company

Strengthening risk architecture to sustain asset quality improvement and moderate credit costs

- A key differentiator in the company's growth strategy is the increasing emphasis on risk-adjusted growth, with underwriting calibration and collection efficiency evolving into core drivers of portfolio performance. The improvement in asset quality across Stage 1, Stage 2 and Stage 3 assets indicates that the benefits of tighter credit selection are gradually translating into the overall portfolio, rather than being restricted to a particular segment.
- More importantly, the improvement in fresh origination quality provides greater confidence in the sustainability of the credit cost trajectory. The 6 MOB 30+ DPD indicator for the latest cohort has declined sharply to ~0.4% from ~0.7% (excluding gold loans). These indicators suggest that the company is increasingly entering new lending cycles with better-quality borrowers, which should support lower incremental credit losses as the portfolio seasons.

Exhibit 20: Asset quality likely to improve gradually

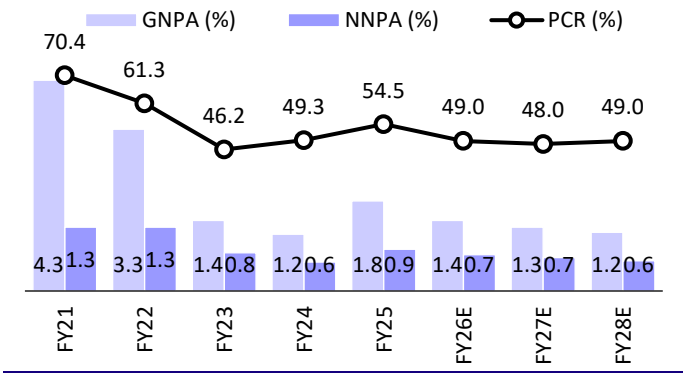
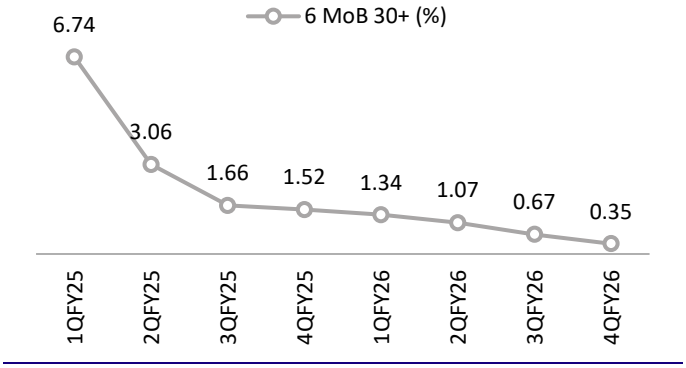


Exhibit 21: 6-MoB improving continuously (quarters mentioned are sourcing quarters)



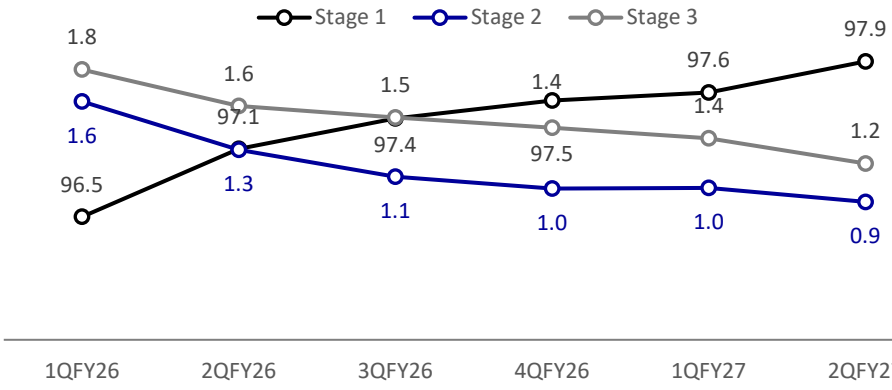
Source: MOFSL, Company

- This improvement is being driven by a more dynamic underwriting architecture rather than static credit filters. Ground-level sourcing trends, early delinquency indicators and collection intelligence are continuously fed back into the credit decisioning engine, allowing the company to refine its underwriting parameters and identify emerging stress before it translates into material defaults. The development of 30-35 proprietary AI/ML-based credit models further institutionalizes this process, improving risk segmentation and consistency in credit selection.
- Alongside better underwriting, the company is strengthening its collection infrastructure through predictive analytics, behavioral segmentation and AI-assisted decision-making. Real-time payment patterns and early bounce indicators are being used to direct customers towards appropriate resolution channels, including automated reminders, digital payment links and customized collection interventions. This technology-led approach is complemented by specialized collection teams across products and delinquency stages, enabling greater precision in early-stage resolution as well as field-led and legal recovery in later-stage buckets.
- The combination of improved origination quality and a more specialized collection architecture should be particularly important as the company scales

newer products. While several businesses are still in their early stages of seasoning, the performance of more mature portfolios provides encouraging signals. LAP, business loans and pre-owned car loans have over 36 months of seasoning, while the consumer durable portfolio has completed nearly 10 lending cycles. Bureau data also indicates ~40% better credit quality than the industry benchmark for consumer durable customers who have completed 8-9-month tenures.

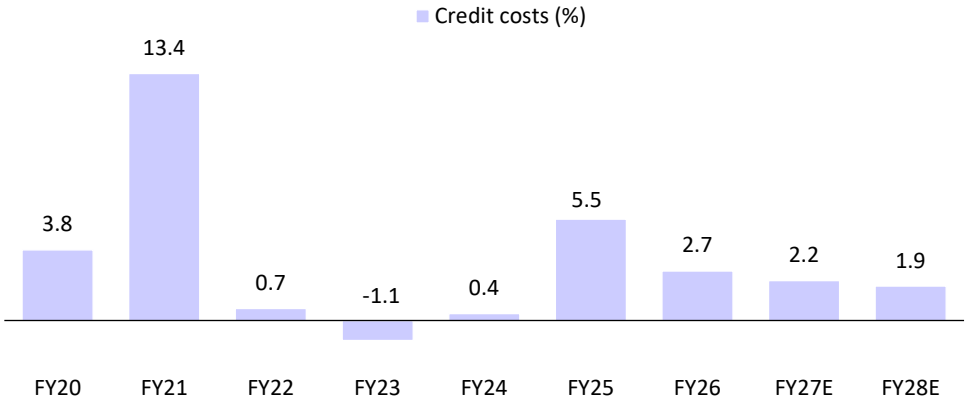
- We believe the improvement in early-vintage indicators, together with continued investments in risk management and collections, provides a stronger basis for sustained credit cost moderation. Management expects credit costs to maintain a downward bias over the next 1-2 years, suggesting that improving asset quality could become an important contributor to incremental RoA expansion. We expect credit costs to decline to 2.2%/1.9% for FY27/FY28E (vs 2.7% in FY26)

Exhibit 22: Stage 3 continues to improve (%)



Source: MOFSL, Company

Exhibit 23: Expect credit costs to decline to ~1.9% by FY28



Source: MOFSL, Company

Valuation view

- PFL is progressively building a more diversified and scalable lending franchise, with the next phase of growth expected to be supported by a broader product portfolio, increasing digital origination and deeper monetization of its existing customer base. The rising contribution from new businesses should broaden the growth engine, while improving portfolio yields and pricing flexibility support the lending spreads.
- Importantly, the improving quality of fresh originations, supported by dynamic underwriting calibration and a strengthening collection infrastructure, provides confidence in the sustainability of lower credit costs. At the same time, investments in digital distribution, AI-led automation and cross-selling are creating the foundation for operating leverage as the business scales. Although continued investments in new products and distribution could result in near-term cost absorption, improving productivity of the existing infrastructure should progressively support returns.
- Overall, the company's earnings trajectory is increasingly being shaped by three mutually reinforcing drivers, stronger lending spreads, structurally improving credit costs and operating leverage. The convergence of these drivers, alongside the maturation of new businesses, provides a credible pathway for sustained RoA expansion over the medium term. The key monitorable remain the pace of cross-sell adoption, productivity of new branches, sustainability of improving vintage performance and the ability to convert AI investments into measurable business and cost efficiencies.
- The stock currently trades at ~2.5x FY28E P/B. We model ~44% AUM CAGR and 121% PAT CAGR over FY26-FY28E and expect PFL to deliver RoA/RoE of 2.4%/17% in FY28E. Reiterate our BUY rating with a TP of INR600 (based on 2.8x Sep'28E BVPS).

Exhibit 24: PAT to clock a CAGR of ~121% over FY26-28

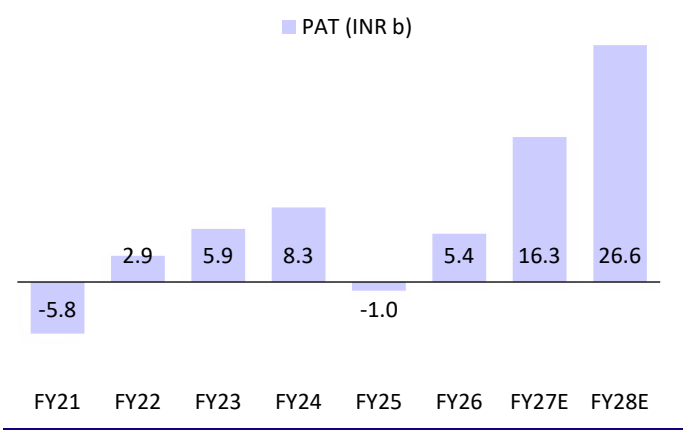


Exhibit 25: Expect RoA/RoE of 2.4%/17% in FY28

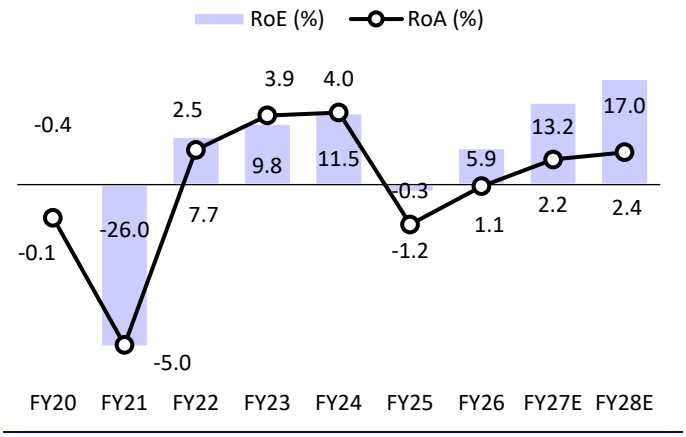


Exhibit 26: RoA tree

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	15.1	12.6	11.8	13.8	13.1	12.9	13.7	14.1	14.4
Interest Expended	7.5	4.4	3.9	4.5	5.1	5.8	6.1	6.4	6.5
Net Interest Income	**7.6**	**8.2**	**8.0**	**9.3**	**8.0**	**7.1**	**7.7**	**7.8**	**7.9**
Other Operating Income	0.8	0.7	0.8	1.0	1.0	1.4	1.2	1.0	0.9
Other Income	0.2	0.3	0.5	0.2	0.1	0.0	0.0	0.0	0.0
Net Income	**8.6**	**9.1**	**9.2**	**10.4**	**9.1**	**8.5**	**8.9**	**8.8**	**8.8**
Operating Expenses	3.9	5.2	5.3	3.8	4.3	4.4	4.0	3.8	3.6
Operating Income	**4.7**	**3.9**	**4.0**	**6.6**	**4.8**	**4.1**	**4.9**	**5.0**	**5.2**
Provisions/write offs	11.3	0.6	-0.9	0.3	5.3	2.5	2.1	1.8	1.8
PBT	**-6.6**	**3.3**	**4.9**	**6.3**	**-0.5**	**1.5**	**2.9**	**3.3**	**3.4**
Tax	-1.7	0.8	1.2	2.3	-0.1	0.4	0.7	0.8	0.9
Reported PAT	**-5.0**	**2.5**	**3.7**	**4.0**	**-0.3**	**1.1**	**2.2**	**2.4**	**2.6**
Avg leverage	5.2	3.0	2.5	2.9	3.6	5.2	6.1	6.9	8.0
RoE	**-26.0**	**7.7**	**9.4**	**11.5**	**-1.2**	**5.9**	**13.2**	**17.0**	**20.6**

Exhibit 27: P/E chart

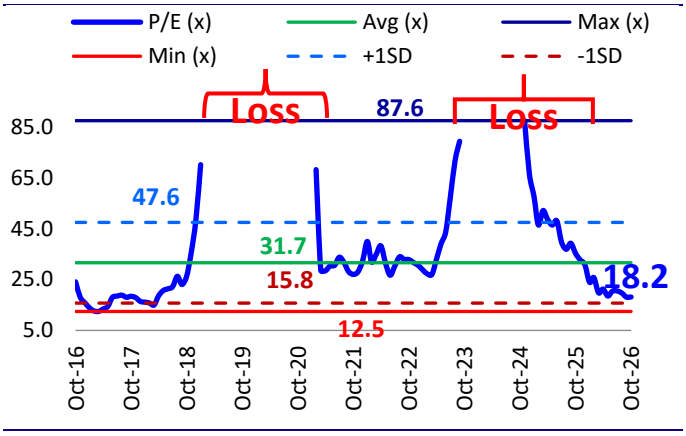
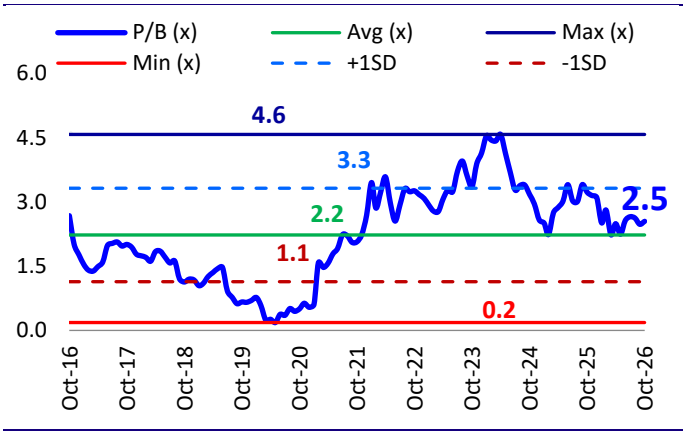


Exhibit 28: P/B chart



Financials and Valuation

Income Statement									(INR M)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Interest Income	17,570	14,586	18,265	29,041	38,745	61,408	1,03,280	1,53,902	2,15,208
Interest Expenses	8,746	5,093	5,953	9,551	15,151	27,667	45,590	69,153	97,653
Net Interest Income	**8,824**	**9,493**	**12,312**	**19,490**	**23,594**	**33,741**	**57,690**	**84,749**	**1,17,554**
Change (%)	-1.8	7.6	29.7	58.3	21.1	43.0	71.0	46.9	38.7
Non-interest income and Other Income	1,199	1,085	1,931	2,478	3,346	6,548	9,473	11,189	14,068
Net Total Income	**10,023**	**10,578**	**14,243**	**21,967**	**26,940**	**40,290**	**67,163**	**95,938**	**1,31,622**
Change (%)	-8.5	5.5	34.6	54.2	22.6	49.6	66.7	42.8	37.2
Total Operating Expenses	**4,563**	**6,046**	**8,139**	**8,074**	**12,769**	**20,955**	**30,002**	**41,025**	**53,191**
Change (%)	-23.5	32.5	34.6	-0.8	58.2	64.1	43.2	36.7	29.7
Employee Expenses	3,060	4,099	5,148	4,444	6,362	10,175	14,856	20,056	26,072
Depreciation	522	495	614	593	651	941	1,177	1,412	1,695
Other Operating Expenses	981	1,453	2,268	3,036	5,755	9,838	13,970	19,557	25,425
PPoP	**5,460**	**4,532**	**6,104**	**13,894**	**14,172**	**19,335**	**37,160**	**54,913**	**78,431**
Change (%)	9.6	-17.0	34.7	127.6	2.0	36.4	92.2	47.8	42.8
Total Provisions	**13,186**	**686**	**-1,445**	**720**	**15,526**	**12,099**	**15,458**	**19,484**	**26,950**
PBT	**-7,727**	**3,846**	**7,761**	**13,173**	**-1,354**	**7,236**	**21,702**	**35,429**	**51,481**
Exceptional items				12,212	0	0	0	0	0
Tax Provisions	-1,943	914	1,816	4,827	-371	1,818	5,426	8,857	12,870
PAT (excl. exceptional)	**-5,784**	**2,932**	**5,945**	**8,347**	**-983**	**5,418**	**16,277**	**26,572**	**38,611**
PAT (incl. exceptional)	**-5,784**	**2,932**	**5,945**	**20,559**	**-983**	**5,418**	**16,277**	**26,572**	**38,611**

Balance Sheet									(INR M)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Equity Share Capital	539	1,530	1,536	1,541	1,546	1,616	1,751	1,751	1,751
Reserves & Surplus	18,881	55,615	62,711	79,623	79,694	1,01,360	1,42,502	1,67,323	2,03,308
Net Worth	**19,421**	**57,145**	**64,247**	**81,164**	**81,240**	**1,02,976**	**1,44,252**	**1,69,074**	**2,05,058**
Borrowings	**79,487**	**67,734**	**1,12,092**	**1,52,157**	**2,58,806**	**4,80,983**	**7,31,526**	**10,71,690**	**14,64,762**
Change (%)									
Other liabilities	4,512	3,217	3,880	7,041	9,747	18,250	25,550	34,493	43,116
Total Liabilities	**1,03,420**	**1,28,097**	**1,80,218**	**2,40,362**	**3,49,793**	**6,02,209**	**9,01,329**	**12,75,256**	**17,12,937**
Loans	**85,653**	**1,06,784**	**1,52,295**	**2,20,464**	**3,26,950**	**5,59,515**	**8,51,034**	**12,17,132**	**16,44,228**
Change (%)	-23.4	24.7	42.6	44.8	48.3	71.1	52.1	43.0	35.1
Cash and Bank Balances	6,124	5,372	6,574	2,685	323	2,937	5,590	7,771	11,896
Fixed Assets	1,715	1,748	2,117	1,944	2,542	4,273	4,615	4,984	5,383
Investments	4,289	8,197	3,109	8,783	13,416	24,905	27,395	30,135	33,148
Other assets	5,638	5,996	16,123	6,486	6,562	10,580	12,695	15,234	18,281
Total Assets	**1,03,420**	**1,28,097**	**1,80,218**	**2,40,362**	**3,49,793**	**6,02,209**	**9,01,329**	**12,75,256**	**17,12,937**

E: MOFSL Estimates

Financials and Valuation

AUM

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
AUM (INR b)	102.5	117.7	161.4	250.0	356.3	603.5	889.9	1,259.3	1,701.2
YoY growth (%)	**-20**	**15**	**37**	**55**	**43**	**69**	**47**	**42**	**35**
Disbursements (INR b)	24.2	75.2	157.5	332.9	302.4	494.4	682.3	921.2	1,197.5
YoY growth (%)	**-52**	**210**	**109**	**111**	**-9**	**64**	**38**	**35**	**30**

E: MOFSL Estimates

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spreads Analysis (%)									
Avg. Yield on Loans	17.5	14.9	14.0	15.6	14.1	13.8	14.6	14.9	15.0
Avg Cost of Funds	9.7	6.9	6.6	7.2	7.4	7.5	7.5	7.7	7.7
Spread on loans	7.8	8.0	7.4	8.3	6.8	6.4	7.1	7.2	7.3
NIM (on AUM)	7.6	8.6	8.8	9.5	7.8	7.0	7.7	7.9	7.9
Profitability Ratios (%)									
RoE	-26.0	7.7	9.8	11.5	-1.2	5.9	13.2	17.0	20.6
RoA	-5.0	2.5	3.9	4.0	-0.3	1.1	2.2	2.4	2.6
Int. Expended / Int.Earned	49.8	34.9	32.6	32.9	39.1	45.1	44.1	44.9	45.4
Other Inc. / Net Income	12.0	10.3	13.6	11.3	12.4	16.3	14.1	11.7	10.7
Efficiency Ratios (%)									
Op. Exps. / Net Income	45.5	57.2	57.1	36.8	47.4	52.0	44.7	42.8	40.4
Opex/ Avg AUM	4.0	5.5	5.8	3.9	4.2	4.4	4.0	3.8	3.6
Empl. Cost/Op. Exps.	67.1	67.8	63.2	55.0	49.8	48.6	49.5	48.9	49.0
Asset-Liability Profile (%)									
Loans/Borrowings Ratio	1.1	1.6	1.4	1.4	1.3	1.2	1.2	1.1	1.1
Debt/Equity (x)	4.1	1.2	1.7	1.9	3.2	4.7	5.1	6.3	7.1
Assets/Equity (x)	5.3	2.2	2.8	3.0	4.3	5.8	6.2	7.5	8.4
Asset quality									
GNPA (INR m)	4,190	3,720	2,250	2,680	6,190	8,180	11,222	14,810	20,007
GNPA (%)	4.3	3.3	1.4	1.2	1.8	1.4	1.3	1.2	1.2
NNPA (INR m)	1,240	1,440	1,210	1,360	2,820	4,170	5,835	7,553	10,203
NNPA (%)	1.3	1.3	0.8	0.6	0.9	0.7	0.7	0.6	0.6
PCR (%)	70.4	61.3	46.2	49.3	54.5	49.0	48.0	49.0	49.0
Credit costs (%)	13.4	0.7	-1.1	0.4	5.5	2.7	2.2	1.9	1.9

Valuations	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Book Value (INR)	72	75	84	105	105	127	165	193	234
BV Growth (%)	-22.8	3.7	12.0	25.9	-0.2	21.3	29.3	17.2	21.3
Price-BV (x)	**6.8**	**6.5**	**5.8**	**4.6**	**4.7**	**3.8**	**3.0**	**2.5**	**2.1**
EPS (INR)	-21.5	3.8	7.7	10.8	-1.3	6.7	18.6	30.4	44.1
EPS Growth (%)	5,675.2	-117.9	102.0	39.9	-111.7	-627.1	177.3	63.3	45.3
Price-Earnings (x)	**-22.8**	**127.6**	**63.2**	**45.1**	**-384.3**	**72.9**	**26.3**	**16.1**	**11.1**
Dividend per share	0.0	0.4	2.0	2.0	0.0	0.0	2.0	3.0	3.0
Dividend Yield (%)	**0.0**	**0.1**	**0.4**	**0.4**	**0.0**	**0.0**	**0.4**	**0.6**	**0.6**

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%s
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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