Poonawalla Fincorp Ltd.

DEVEN CHOKSEY RESEARCH

Result Update – Q1FY27 || Current Market Price – **INR 477** || Target Price – **INR 600** || Upside – **26%** || Date: 20th July 2026

Q1FY27 PAT beats on NII and fee income; credit cost the offset.

- **Poonawalla is undergoing a structural re rating rather than delivering a one quarter earnings beat:** We expect ROE to improve from the mid-single digits in FY26 to the high teens by FY28E, driven by AUM growth of more than 60% YoY from a low base and continued operating leverage. Cost to income has improved from 57.7% to 44.6% over the past five quarters, with further efficiency gains likely as prior investments mature.

- **The company's expansion into six new products:** Prime PL, Gold Loan, Education Loan, Consumer Durable, Commercial Vehicle, and Shopkeeper Loan is the key structural growth driver. These businesses now account for 16% of AUM and 26% of quarterly disbursements, reducing dependence on the legacy unsecured and MSME portfolio. Gold Loan is operational across 460 branches, with the branch led scale up still in its early stages, supporting a multi quarter growth runway.

- **Credit metrics continue to improve**: With sequential moderation in both GNPA and NNPA, while early vintage delinquency for the latest sourcing cohorts has declined to 1.05% and 0.64% from 6.74% eighteen months ago. This supports our confidence that credit costs should remain contained as the portfolio diversifies.

Valuation: We value the stock at 3.2x FY28E ABVPS of INR 187.4, implying a target price of INR 600, representing 25.8% upside from the CMP of INR 477. Our target multiple is modestly below the current trailing P/B of 3.32x, reflecting the relatively unseasoned nature of the new product portfolio, while remaining justified by the company's projected FY28E ROE of 16.8% and 30% AUM growth. **BUY**.

Key risks:

- **Capital:** Our estimates do not incorporate a further capital raise. Faster than expected AUM growth could constrain leverage capacity and require moderation in both growth expectations and valuation multiples.

- **New Product Seasoning:** New products account for 16% of AUM and remain relatively unseasoned. Any deterioration in credit performance could lead to higher credit costs before improvements in the legacy portfolio fully offset the impact.

- **Cost of Funds:** Cost of funds increased by 9 bps QoQ to 7.72% during the quarter. A sustained increase could compress NIM if asset yields do not reprice at a similar pace.

- **Execution:** Gold Loan branch expansion remains behind the FY27 rollout plan, with 60 of approximately 400 branches opened in Q1. Any further delay could weigh on disbursement momentum and AUM growth.

Key Highlights:

PAT: PAT stood at INR 307.7 Cr, up 20.8% QoQ and 26.3% ahead of our estimate, driven by strong NII growth of 14.0% QoQ and PPOP growth of 12.9% QoQ. Provisions were 20.9% above our estimate, GNPA improved sequentially to 1.37%, while NNPA was broadly stable at 0.70%.

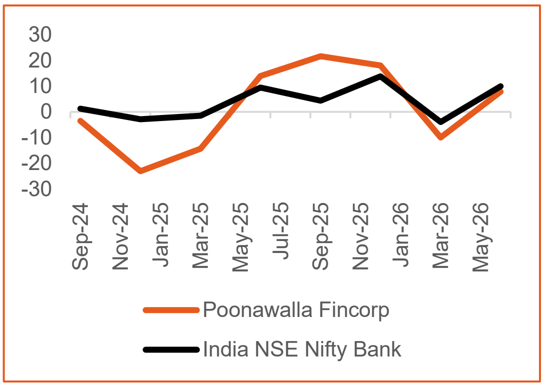
AUM: AUM grew 11.1% QoQ to INR 67,054 Cr, up 62.5% YoY. New products now account for 16% of AUM and 26% of disbursements, with the scale up continuing. Gold Loan operations are live across 460 branches, against a FY27 plan of approximately 400 branches, of which 60 have been opened.

Particulars	
CMP (INR)	477
Market Cap (Cr)	42,352
Free Float Market Cap (Cr)	16,932
52 Week High / Low (INR)	570/363
Avg Daily Vol (1Y) shares	22,34,220
No. of Shares (Cr.)	88

Key Financial (INR Mn.)	FY26	FY27E	FY28E
Net Interest Income	33,741	55,050	75,980
PPOP	19,335	36,715	54,346
Net Profit	5,418	15,395	26,257
EPS	6.7	17.6	29.98

Holding (%)	Dec-25	Mar-26	Jun-26
Promoters	63.95	63.93	59.02
FIIs	10.61	10.21	10.96
DIIs	12.22	12.24	16.74
Public	12.62	13.15	12.75
Others	0.60	0.59	0.53
Total	100.0	100.0	100.0

Source: Company, Deven Choksey Research



Source: Company Research, Deven Choksey Research

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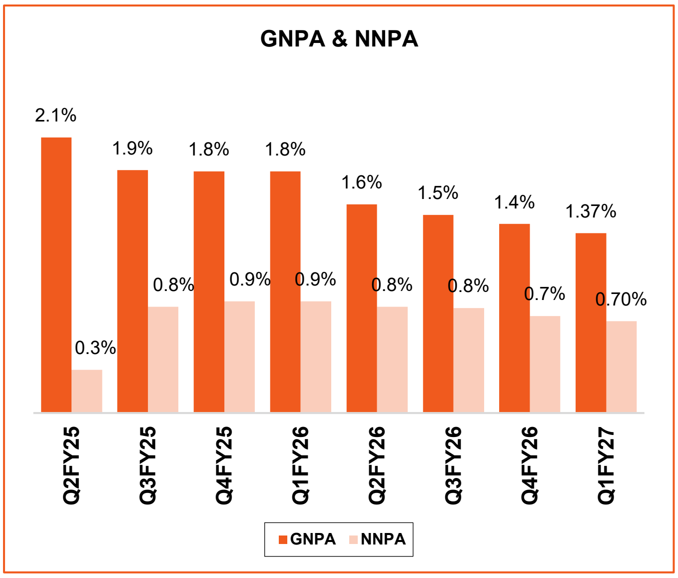
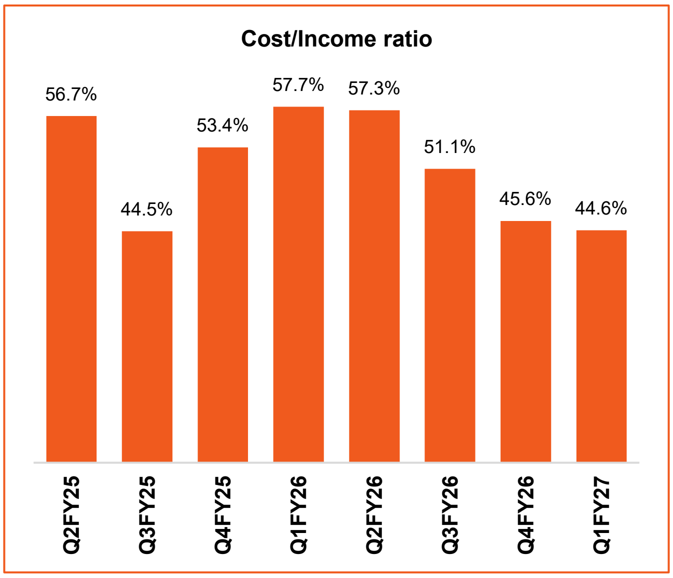
Story in Charts

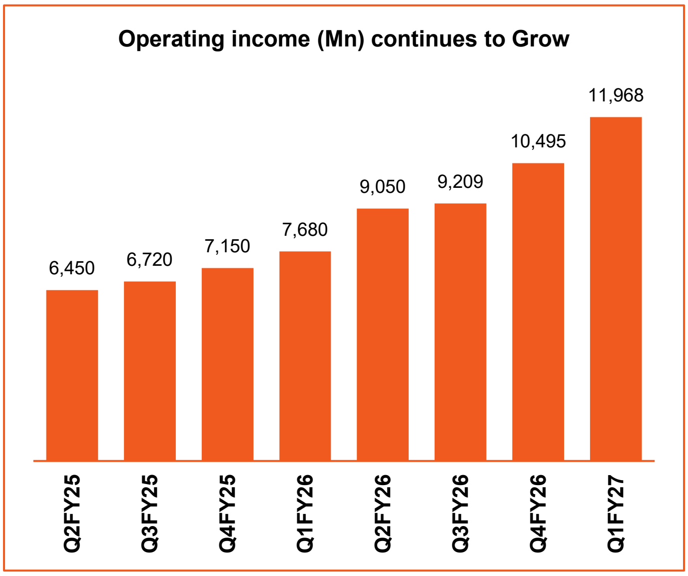
GNPA & NNPA: GNPA more than halved from 2.1% to 1.37% over nine quarters, with NNPA holding under 1% throughout.



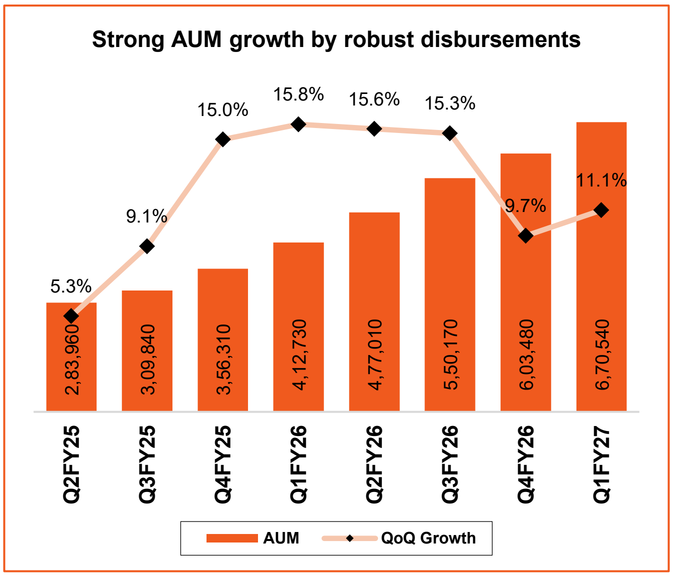
Cost/Income: Operating leverage kicking in, down 13pp from its FY26 peak of 57.7% to 44.6% in Q1FY27.



Operating Income: Operating income has risen every single quarter, nearly doubling from INR 6,450mn to INR 11,968mn in nine quarters.



AUM: AUM has more than doubled since Q2FY25, with QoQ growth reaccelerating to 11.1% in Q1FY27 after dipping to 9.7% the prior quarter.



Source: Company Research, Deven Choksey Research

Result Snapshot

Particulars (In Mn) Income Statement	Q1FY27	Q4FY26	Q1FY26	QoQ	Y-o-Y
Interest Income	21,184	18,936	11,854	11.9%	78.7%
Interest expense	9,217	8,441	5,461	9.2%	68.8%
Net Interest Income	**11,968**	**10,495**	**6,393**	**14.0%**	**87.2%**
Other Income	2,185	2,268	1,287	-3.7%	69.8%
Total Operating Income	**14,153**	**12,763**	**7,679**	**10.9%**	**84.3%**
Employee costs	2,938	2,631	2,132	11.7%	37.8%
Other operating expenses	3,368	3,185	2,302	5.7%	46.3%
Operating expenses	**6,307**	**5,816**	**4,434**	**8.4%**	**42.2%**
PPOP	**7,846**	**6,947**	**3,245**	**12.9%**	**141.8%**
Loan Losses and Provisions	3,733	3,536	2,410	5.6%	54.9%
Profit before tax	**4,113**	**3,411**	**835**	**20.6%**	**392.6%**
Exceptional Item	0	0	0	0.0%	0.0%
Tax expense	1,036	863	210	20.0%	393.3%
Net profit	**3,077**	**2,548**	**625**	**20.8%**	**392.3%**

Source: Company Research, Deven Choksey Research

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Key Concall Highlights

- **Growth:** Management reiterated its AUM CAGR guidance of 35% to 40% over the next couple of years, with the post QIP capital base sufficient to support growth for the next four to five quarters. Of the approved INR 5,500 Cr capital raise, INR 2,500 Cr has been utilised, leaving INR 3,000 Cr of pre approved headroom, although no timeline was provided for further issuance.

- **Margins:** Reported NIM improved to 9.10% from 9.05% in Q4FY26, supported by a further ~50 bps QoQ increase in disbursement yields following a ~40 bps increase in the previous quarter.

- **Credit Costs:** Management views the decline in credit cost to 2.40% from 2.51% in Q4FY26 as structural and expects further improvement. Quarterly write offs are expected to remain in the INR 275 Cr to INR 280 Cr range.

- **Funding Costs:** Cost of borrowing increased 9 bps QoQ to 7.72%. Management expects any further increase to be offset by higher lending yields, supporting NIM stability.

- **Operating Expenses:** Management highlighted a potential 15 bps to 25 bps quarter to quarter increase in opex to AUM due to branch opening schedules, although the medium term operating efficiency trajectory remains intact.

- **Portfolio Mix:** The secured portfolio constitutes 53% of on book AUM. Management continues to target a balanced 50:50 mix between secured and unsecured lending over time.

- **Gold Loan:** Gold Loan is operational across 460 branches. With only 60 of the approximately 400 planned FY27 branches opened, management expects branch additions and disbursement momentum to accelerate over the remainder of the year.

- **Shopkeeper Loan:** Among the new product portfolio, Shopkeeper Loan remains the only segment where management does not expect an acceleration in growth.

- **AI and Digital Execution:** Management highlighted AI as a key operational lever, with the Head of AI participating in the call. AI projects increased more than 30% QoQ to 101 across 21 departments, with 50 deployed, 51 under development, and approximately 130 AI agents in production.

- **AI driven collections:** Delivered tangible efficiency gains, including 15% cost savings in pre bill collections, 27% improvement in post bill collections, and a 26% reduction in collection opex. The GenAI powered PayEasy bot now recovers 42% of failed payments without manual intervention.

- **Opex:** Management also attributed part of the improvement in opex to AUM, from 4.76% in Q4FY25 to 4.06% in Q1FY27, to AI adoption. On the credit side, Stage 1 and Stage 3 slippages improved 5% QoQ and 13% QoQ, respectively, with management highlighting AI as a key enabler of better underwriting and customer selection.

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Key Financials

Income Statement

Particulars (In Mn)	FY25	FY26	FY27E	FY28E
Interest Income	38,745	61,408	96,678	130,150
Interest Expense	15,151	27,667	41,628	54,172
Net Interest Income	23,594	33,741	55,050	75,980
Non interest income	3,483	6,548	9,728	12,738
Operating income	27,078	40,290	64,779	88,717
Employee expense	6,362	10,176	12,601	14,572
Other operating expense	6,406	10,779	15,463	19,800
Operating Expense	12,769	20,954	28,063	34,373
PPOP	13,228	19,335	36,715	54,346
Provisions	15,663	12,099	16,144	19,256
PBT	-1,354	7,236	20,572	35,088
Tax Expense	-371	1,818	5,177	8,831
PAT	-983	5,418	15,395	26,257
EPS (INR)	-1.26	6.71	17.58	29.98

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Date	CMP (INR)	TP (INR)	Recommendation
20-07-26	477	600	BUY
08-May-26	452	476	HOLD
21-Jan-26	448	463	HOLD
23-Oct-25	490	476	REDUCE
28-Apr-25	386	411	ACCUMULATE
04-Feb-25	313	370	BUY
25-Oct-24	297	348	BUY
26-Jul-24	366	455	BUY
09-May-24	469	555	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	***Upside***
Buy	*More than 15%*
Accumulate	*5% – 15%*
Hold	*0 – 5%*
Reduce	*-5% – 0*
Sell	*Less than – 5%*

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