

Poonawalla Fincorp | REDUCE

Strong Growth; Returns Yet to Catch Up, upgrade to REDUCE

Poonawalla Fincorp (PFL) reported ROA of ~1.2% after five quarters, supported by a 102% QoQ surge in PAT. NII growth of 50%/20% YoY/QoQ was driven by 30bps QoQ NIM expansion and 78%/15% YoY/QoQ AUM growth. Asset quality improved with decline in Stage 2/3 and steady credit costs of 2.3%, though ECL coverage continue to moderate (~1.6% vs. 1.7% for BAF) especially given 46% unsecured mix and unseasoned book. The management has secured board approval for capital raise of INR 55bn and NCD issuance of INR 200bn to support its high growth aspirations and to maintain capital adequacy. We incorporate the capital raise into our estimates, leading to a ~35%/32% increase in FY27/28E BVPS. We build in AUM/PPOP CAGR of 46%/71% over FY26-28E and expect average RoA/RoE of 1.9%/11.4% over the same period. Against these return metrics, current valuations still appear expensive at 2.3x FY28E P/BV, particularly against other NBFCs, which trades at lower-similar valuations for average ROE profile of ~14-15%. We raise our FY27/28E EPS estimates by ~22%/13% and upgrade our rating to the REDUCE from SELL earlier. We revise our TP to INR 430 (vs. 425 earlier), valuing the company at 2.1x FY28E P/B. The coverage stands transferred to Pratik Matkar.

- **Robust growth momentum continues:** AUM grew 78%/15% YoY/QoQ (vs mgmt. guidance of ~35-40% for FY26), led by 6.5%/84% QoQ/YoY growth in disbursements. New products contributed ~11% to AUM growth and 20% to disbursements growth. LAP segment grew 22% QoQ, followed by personal and consumer segment, while growth in pre-owned car segment remained muted at 2% QoQ. Disbursements in new products reached a monthly run-rate of ~INR 9.5bn in Dec'25, reflecting a 25% QoQ growth. In gold loans, the company is expanding through physical branches and is on track to reach 400 branches by FY26.
- **Strong earnings performance:** NII grew 50% YoY/20% QoQ, supported by rising margins (calc.) at ~7.2% (+30bps QoQ), driven by a ~32bps sequential increase in calc. yields. Reported CoFs reduced by 4bps QoQ as the share of NCDs in borrowings rose from ~7% in Mar'25 to ~33% in Dec'25. Credit cost (calc. on AUM) remained flat at 2.3%, despite reduction in ECL/EAD to 1.6% (vs. 1.8% in 2QFY26). ROA crossed the 1% mark, with PAT growing 102% QoQ, delivering RoA/RoE of 1.2%/6.1% (vs 0.7%/3.3% in 2Q).
- **Asset quality metrics improve:** GS3 ratio improved QoQ to 1.5% (vs. 1.6% in 2QFY26). However, GS3 coverage reduced by 188bps QoQ to 48% and total ECL coverage declined to 1.6% (vs. 1.8% in 2QFY26). Management attributed the reduction in PCR to the rundown of the legacy STPL portfolio, which had a higher PCR. Management expects overall credit costs to moderate over the medium term as new products gain traction. We build in an average credit cost of ~2.0% for FY27-28E.
- **Valuations and view:** We acknowledge management's strong track record; however greater clarity on sustainability of profitability and seasoning of portfolio quality is likely to emerge only over the medium term. This is due to the higher competitive intensity in its newer product lines and higher opex driven by aggressive expansion of gold loan branches. We expect average RoA/RoE of 1.86%/11.4% for FY27-28E, which looks expensive at 2.3x FY28E P/BV. Though, given our upward revision to EPS estimates by 22%/13% for FY27/28E, we upgrade the stock to REDUCE with a revised TP of INR 430 (2.1x FY28E P/BV).



Pratik Matkar

pratik.matkar@jmfl.com | Tel: (91 22) 66301881

Ajit Kumar

ajit.k@jmfl.com | Tel: (91 22) 66303489

Raghvesh

raghvesh@jmfl.com | Tel: (91 22) 66303099

Arun Nalkara

arun.nalkara@jmfl.com | Tel: (91 22) 39533640

Shubham Karvande

shubham.karvande@jmfl.com | Tel: (91 22) 66303696

Sunita Nayak

sunita.nayak@jmfl.com | Tel: (91 22) 66301889

Aryan Singhal

aryan.singhal@jmfl.com | Tel: (91 22) 66303253

Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	SELL
Current Price Target (12M)	430
Upside/(Downside)	-7.3%
Previous Price Target	425
Change	1.2%

Key Data – POONAWAL IN

Current Market Price	INR464
Market cap (bn)	INR377.0/US\$4.1
Free Float	30%
Shares in issue (mn)	810.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR596.7/US\$6.6
52-week range	570/267
Sensex/Nifty	83,570/25,694
INR/US\$	90.9

Price Performance

%	1M	6M	12M
Absolute	4.5	2.6	47.7
Relative*	6.2	0.4	35.4

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	20,560	-983	4,622	14,092	21,407
Net Profit (YoY) (%)	200.1%	-104.8%	-570.0%	204.9%	51.9%
Assets (YoY) (%)	3.5%	45.5%	74.5%	55.5%	34.8%
ROA (%)	8.7%	-0.3%	1.0%	1.8%	1.9%
ROE (%)	27.5%	-1.2%	5.1%	10.6%	12.1%
EPS	26.7	-1.3	5.7	15.2	23.0
EPS (YoY) (%)	199.1%	-104.8%	-548.4%	165.7%	51.9%
P/E (x)	17.4	-364.7	81.3	30.6	20.1
BV	105	105	123	179	200
BV (YoY) (%)	17.9%	-0.2%	16.6%	46.2%	11.7%
P/BV (x)	4.41	4.41	3.79	2.59	2.32

Source: Company data, JM Financial. Note: Valuations as of 16/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Poonawalla Fincorp – 3QFY26 Performance

Exhibit 1. 3QFY26 Quarterly Highlights

Poonawalla Earnings Table (INR mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)
Net Interest Income	6,141	7,644	9,209	50%	20%
Non-Interest Income	581	1,405	1,588	173%	13%
Total Income	6,722	9,050	10,798	61%	19%
Employees Cost	1,485	2,564	2,849	92%	11%
Other Expenditure	1,423	2,920	2,992	110%	2%
Total Operating Expenses	2,908	5,484	5,841	101%	7%
Operating Profit (PPP)	3,814	3,566	4,957	30%	39%
Net Credit loss	3,562	2,577	2,955	-17%	15%
PBT	252	989	2,002	695%	102%
Tax	65	247	500	675%	102%
PAT	187	742	1,502	702%	102%
Balance Sheet Data (INR bn)					
Assets Under Management - Standalone	309.8	477.0	550.2	77.6%	15.3%
Disbursements - Standalone	71.5	123.6	131.6	84.1%	6.5%
Credit Quality					
Gross Stage 3 assets (INR mn)	5,390	7,110	7,850	45.6%	10.4%
Gross Stage 3 assets (%)	1.9%	1.6%	1.5%	-0.3%	-0.1%
Net Stage 3 assets (INR mn)	2,330	3,580	4,100	76.0%	14.5%
Net Stage 3 assets (%)	0.8%	0.8%	0.8%	0.0%	0.0%
Stage 3 Coverage ratio (%)	56.8%	49.6%	47.8%	-9.0%	-1.9%
Key ratios (%)					
NIM (calc. on AUM) %	8.3%	6.9%	7.2%	-1.1%	0.3%
Credit cost on Avg AUM %	4.8%	2.3%	2.3%	-2.5%	0.0%
ROA %	0.3%	0.7%	1.2%	0.9%	0.5%
ROE %	0.9%	3.3%	6.1%	5.1%	2.8%
Capital Adequacy (%)					
CAR (%)	25.9%	20.9%	18.2%	-7.7%	-2.7%

Source: Company, JM Financial

Key takeaways from concall

Growth and new product scale

- New products disbursement has reached a monthly run rate of ~9,500mn in Dec'25 and delivered a 25% QoQ disbursement growth.
- New products contribution in disbursement rose to 20% vs. 17% in 2QFY26.
- Newer products have scaled well and are performing in-line with management expectation.
- In consumer durable loans the total distribution points increased from ~3000+ points in Jun'25 to 10500+ dealer distribution points across 190 locations currently and company has a target of ~12k+ points by the end of the year.
- CV segment: The Company has delivered an average monthly disbursement of INR 1bn during the quarter, a 35% QoQ growth. CV business expanded to 55 locations from 49 in 2QFY26 across 12 states. On-boarded 700+ Channel partners to widen reach in all key markets.
- In education loans, the company has strengthened presence with 225+ dedicated sales team, along with 325+ partners including key education consultants.
- In the new prime PL portfolio, firm had an average monthly disbursement of ~INR 4.3bn in 3QFY26. Also, ~ 28% of prime PL disbursements were sourced completely digitally.
- As portfolio evolves over time, products such as gold loans, education loans, salary personal loans and loans against property are expected to account for 50%-60% of the portfolio.
- Gold loan: Monthly disbursements have nearly doubled, driven by strong branch productivity. ~ 95% of gold loan branches are in Tier 2 and 3 markets, creating high potential multi-product distribution hubs.
- ~85% of customer profiles being catered in LAP portfolio have a bureau score of 750+.
- Management has taken an approval of capital raise of INR 55bn in the next 12 months.
- Company has 38+ digital partners which aided 42% QoQ disbursement growth.

Margins

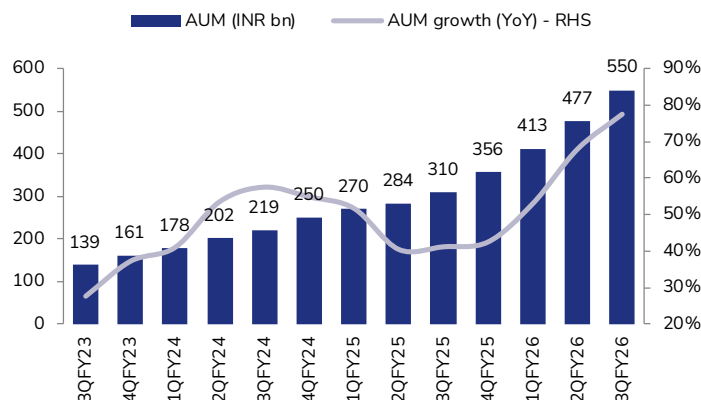
- CoF declined to 7.65% (vs. 7.69%/8.04% in 2Q26/1Q26). Management highlighted that the key lever was increasing NCD in the overall mix. NCD contribution has increased from ~27% in Sep'25 to 33% in Dec'25 adding strength to long-term capital funding.
- Variable rate borrowing share now stands at ~50%.

Asset Quality

- Management remains focused on improving credit calibration, underwriting discipline and collection efficiencies across individual lending products.
- PCR reduced due to the rundown of the old STPL book which had higher PCR (~70%).

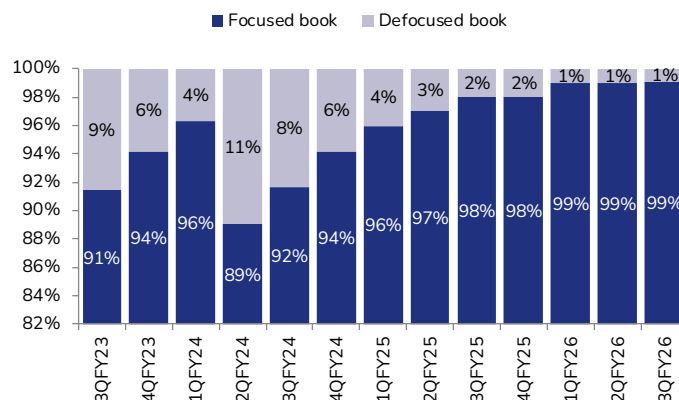
Poonawalla Fincorp - Quarterly Trends

Exhibit 2. AUM growth remains strong supported by strong growth in the LAP segment (~120% YoY) and P&C (~100% YoY)



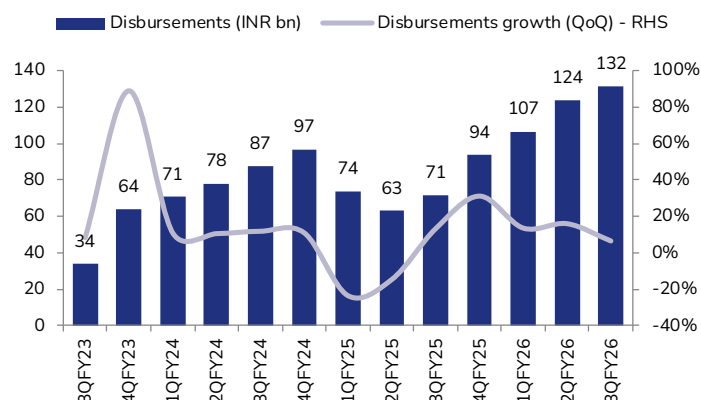
Source: Company, JM Financial; Note: Standalone numbers considered since 3QFY23

Exhibit 3. Legacy book rundown continues



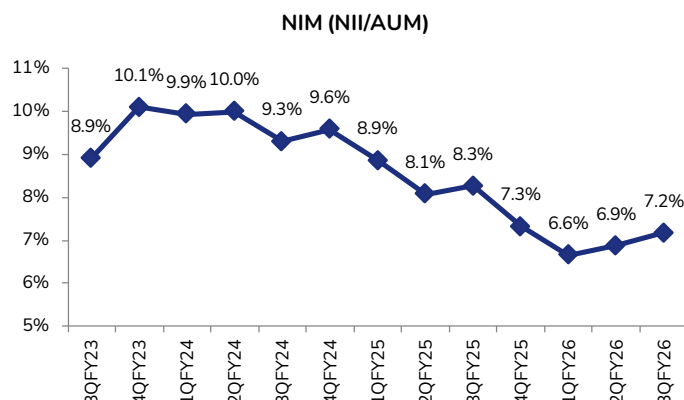
Source: Company, JM Financial; Note: Standalone numbers considered since 3QFY23

Exhibit 4. Strong disbursement growth (~84%/7% YoY/QoQ)



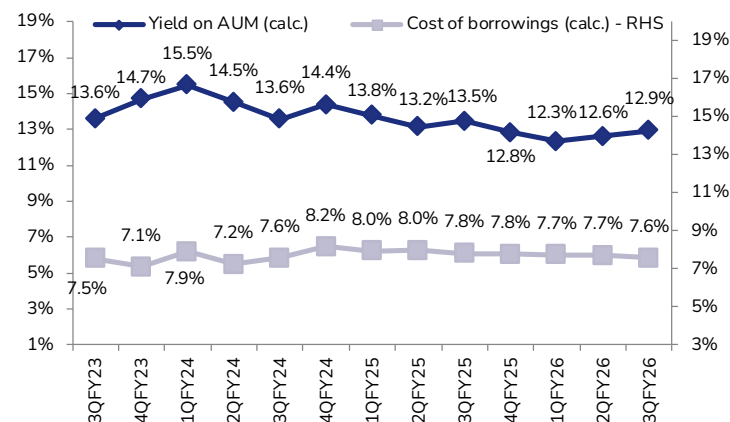
Source: Company, JM Financial

Exhibit 5. Margins increase ~30bps QoQ with increasing yields



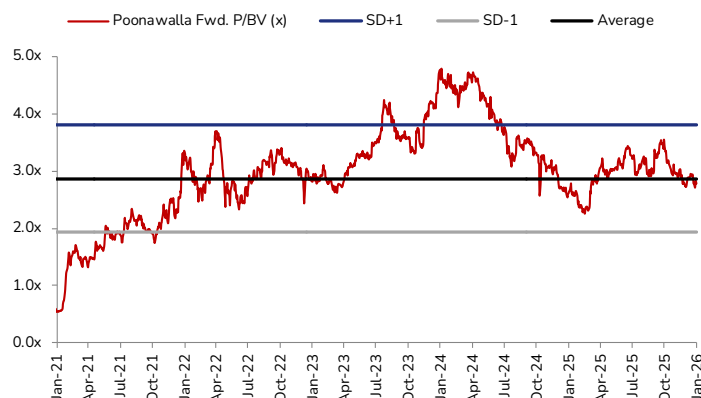
Source: Company, JM Financial

Exhibit 6. Spreads increase due to mix shift to higher yielding products

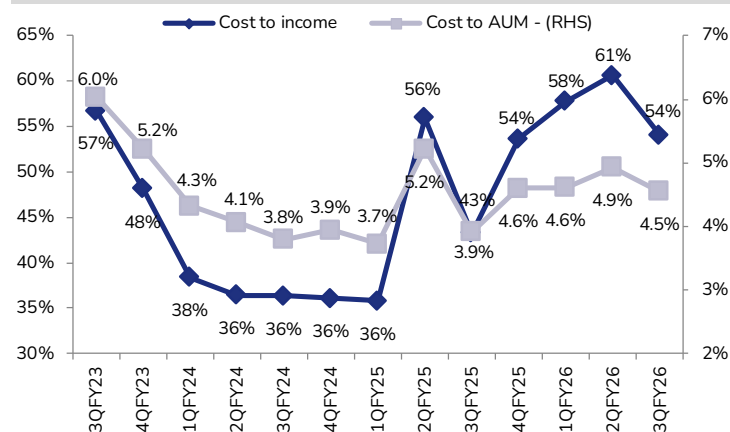


Source: Company, JM Financial

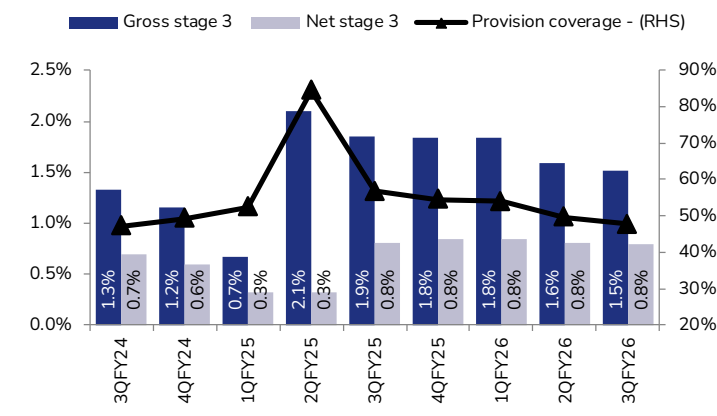
Exhibit 7. Poonawalla Fincorp: 1 year forwards P/BV trend



Source: Company, JM Financial, Bloomberg
Note: Priced as of 16th Jan, 2026

Exhibit 8. Cost ratios moderate sequentially


Source: Company, JM Financial

Exhibit 9. GS3/NS3 declined 8bps/1bps sequentially with continued rundown in the STPL book


Source: Company, JM Financial

Exhibit 10. Du-Pont: Quarterly trend

Du-pont as per AUM (annualized)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Interest income / Avg. AUM (%)	13.6%	14.4%	13.8%	13.2%	13.5%	12.8%	12.3%	12.6%	12.9%
Interest Expense / Avg. AUM (%)	4.2%	4.8%	4.9%	5.1%	5.2%	5.5%	5.7%	5.7%	5.8%
NII / Avg. AUM (%)	9.3%	9.6%	8.9%	8.1%	8.3%	7.3%	6.6%	6.9%	7.2%
Other income / Avg. AUM (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Income / Avg. AUM (%)	9.3%	9.6%	8.9%	8.1%	8.3%	7.3%	6.6%	6.9%	7.2%
Employee Cost to AUM (%)	2.1%	2.0%	1.6%	3.1%	2.0%	2.1%	2.2%	2.3%	2.2%
Other Cost to AUM (%)	1.6%	1.9%	2.1%	2.2%	1.9%	2.5%	2.4%	2.6%	2.3%
Cost to AUM (%)	3.8%	3.9%	3.7%	5.2%	3.9%	4.6%	4.6%	4.9%	4.5%
PPP / Avg. AUM (%)	5.5%	5.6%	5.1%	2.9%	4.4%	2.7%	2.0%	1.9%	2.6%
Provisions / Avg. AUM (%)	-0.1%	0.4%	0.7%	13.2%	4.8%	3.0%	2.5%	2.3%	2.3%
PBT / Avg. AUM (%)	6.8%	6.6%	6.0%	-9.1%	0.3%	1.0%	0.9%	0.9%	1.6%
ROAAUM (%)	5.0%	5.7%	4.5%	-6.8%	0.3%	0.7%	0.7%	0.7%	1.2%

Source: Company, JM Financial

Exhibit 11. Change in estimates

	New estimates			Old estimates			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Recommendation	REDUCE			SELL					
Target price (INR)	430			425			1.2%		
<u>Income Statement (INR mn)</u>									
Net Interest Income	34,273	62,209	87,011	33,512	51,761	71,919	2.3%	20.2%	21.0%
Non-Interest Income	4,923	7,210	8,866	5,500	7,489	8,858	-10.5%	-3.7%	0.1%
Total Income	39,196	69,419	95,877	39,012	59,250	80,777	0.5%	17.2%	18.7%
Operating Expenses	21,908	32,901	45,510	22,418	27,824	34,627	-2.3%	18.2%	31.4%
Pre-provisioning Profits	17,288	36,519	50,367	16,594	31,425	46,150	4.2%	16.2%	9.1%
Reported Profits	4,622	14,092	21,407	4,130	9,985	16,461	11.9%	41.1%	30.0%
<u>Balance Sheet (INR bn)</u>									
Borrowings	492	745	1,043	484	774	1,092	1.6%	-3.8%	-4.5%
Net Advances	583	893	1,237	583	894	1,239	0.1%	-0.1%	-0.1%
Total Assets	611	949	1,280	604	918	1,264	1.1%	3.4%	1.3%
<u>Key Ratios (%)</u>									
NIM (%)	6.92%	7.75%	7.52%	6.77%	6.45%	6.21%	0.15%	1.30%	1.31%
ROA (%)	0.96%	1.81%	1.92%	0.87%	1.31%	1.51%	0.10%	0.49%	0.41%
ROE (%)	5.1%	10.6%	12.1%	4.6%	9.7%	14.4%	0.53%	0.91%	-2.22%
EPS (Rs.)	5.7	15.2	23.0	5.1	12.4	20.4	11.3%	22.4%	12.8%
BVPS (Rs.)	122.5	179.1	200.1	122.5	132.9	151.3	0.0%	34.8%	32.2%

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)	20,575	24,656	34,273	62,209	87,011
Non Interest Income	1,392	2,285	4,923	7,210	8,866
Total Income	21,967	26,940	39,196	69,419	95,877
Operating Expenses	8,074	12,769	21,908	32,901	45,510
Pre-provisioning Profits	13,894	14,172	17,288	36,519	50,367
Loan-Loss Provisions	-5,357	2,715	11,126	17,730	21,824
Others Provisions	5,947	12,799	0	0	0
Total Provisions	720	15,526	11,126	17,730	21,824
PBT	13,173	-1,354	6,162	18,789	28,543
Tax	4,826	-371	1,541	4,697	7,136
PAT (Pre-Extra ordinaries)	8,348	-983	4,622	14,092	21,407
Extra ordinaries (Net of Tax)	12,212	0	0	0	0
Reported Profits	20,560	-983	4,622	14,092	21,407
Dividend	1,538	0	1,620	1,859	1,859
Retained Profits	19,022	-983	3,002	12,233	19,548

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	35.6%	71.6%	90.0%	51.5%	40.0%
Advances	44.9%	48.3%	78.4%	53.0%	38.5%
Total Assets	3.5%	45.5%	74.5%	55.5%	34.8%
NII	64.7%	19.8%	39.0%	81.5%	39.9%
Non-interest Income	-8.7%	64.1%	115.5%	46.4%	23.0%
Operating Expenses	0.5%	58.2%	71.6%	50.2%	38.3%
Operating Profits	131.9%	2.0%	22.0%	111.2%	37.9%
Core Operating profit	133.3%	2.7%	21.3%	111.2%	37.9%
Provisions	-149.8%	2,055.8%	-28.3%	59.4%	23.1%
Reported PAT	200.1%	-104.8%	-570.0%	204.9%	51.9%
Yields / Margins (%)					
Interest Spread	8.00%	6.51%	5.82%	6.62%	6.38%
NIM	10.00%	8.13%	6.92%	7.75%	7.52%
Profitability (%)					
ROA	8.70%	-0.33%	0.96%	1.81%	1.92%
ROE	27.5%	-1.2%	5.1%	10.6%	12.1%
Cost to Income	36.8%	47.4%	55.9%	47.4%	47.5%
Asset quality (%)					
Gross NPA	1.21%	1.87%	0.00%	0.00%	0.00%
LLP	1.19%	6.53%	3.68%	3.32%	2.76%
Capital Adequacy (%)					
Tier I	32.28%	21.67%	16.83%	18.93%	15.73%
CAR	33.80%	22.94%	17.82%	19.78%	16.49%

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	1,541	1,546	1,620	1,859	1,859
Reserves & Surplus	79,623	79,694	97,629	1,64,623	1,84,171
Borrowed Funds	1,50,801	2,58,806	4,91,730	7,44,972	10,42,960
Current Liabilities & Provisions	8,397	9,747	19,537	37,977	51,208
Total Liabilities	2,40,362	3,49,793	6,10,516	9,49,431	12,80,198
Net Advances	2,20,464	3,26,950	5,83,415	8,92,801	12,36,839
Investments	8,783	13,416	13,419	26,784	24,737
Cash & Bank Balances	2,685	323	1,167	26,784	18,553
Other Current Assets	4,851	4,507	4,579	1,163	70
Fixed Assets	1,944	2,542	4,274	949	0
Deferred Tax Assets	1,634	2,055	3,663	949	0
Total Assets	2,40,362	3,49,793	6,10,516	9,49,431	12,80,198

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	8.71%	8.36%	7.14%	7.98%	7.80%
Other Income / Assets	0.59%	0.77%	1.03%	0.92%	0.80%
Total Income / Assets	9.30%	9.13%	8.16%	8.90%	8.60%
Cost / Assets	3.42%	4.33%	4.56%	4.22%	4.08%
PPP / Assets	5.88%	4.80%	3.60%	4.68%	4.52%
Provisions / Assets	0.30%	5.26%	2.32%	2.27%	1.96%
PBT / Assets	5.58%	-0.46%	1.28%	1.81%	1.92%
Tax rate	19.0%	27.4%	25.0%	25.0%	25.0%
ROA	8.70%	-0.33%	0.96%	1.81%	1.92%
Leverage	3.0	4.3	6.2	5.7	6.9
ROE	27.5%	-1.2%	5.1%	10.6%	12.1%

Source: Company, JM Financial

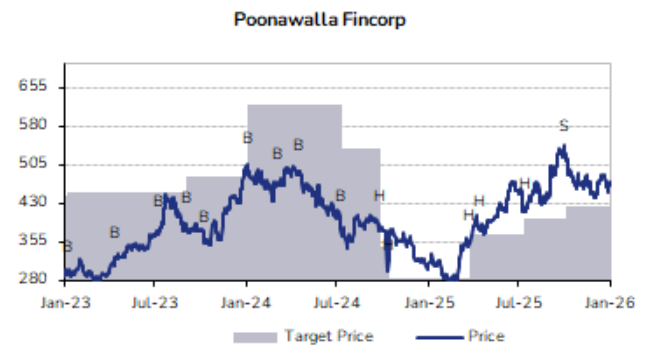
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	770.6	772.9	810.0	929.6	929.6
EPS (INR)	26.7	-1.3	5.7	15.2	23.0
EPS (YoY) (%)	199.1%	-104.8%	-548.4%	165.7%	51.9%
P/E (x)	17.4	-364.7	81.3	30.6	20.1
BV (INR)	105	105	123	179	200
BV (YoY) (%)	17.9%	-0.2%	16.6%	46.2%	11.7%
P/BV (x)	4.41	4.41	3.79	2.59	2.32
DPS (INR)	2.0	0.0	2.0	2.0	2.0
Div. yield (%)	0.4%	0.0%	0.4%	0.4%	0.4%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-Aug-22	Buy	400	
21-Oct-22	Buy	415	3.8
15-Dec-22	Buy	445	7.2
23-Jan-23	Buy	450	1.1
27-Apr-23	Buy	450	0.0
25-Jul-23	Buy	450	0.0
17-Sep-23	Buy	480	6.7
23-Oct-23	Buy	480	0.0
19-Jan-24	Buy	620	29.2
18-Mar-24	Buy	620	0.0
30-Apr-24	Buy	620	0.0
23-Jul-24	Buy	535	-13.7
9-Oct-24	Hold	345	-35.5
27-Oct-24	Hold	285	-17.4
8-Apr-25	Hold	370	29.8
27-Apr-25	Hold	370	0.0
27-Jul-25	Hold	400	8.1
19-Oct-25	Sell	425	6.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfincial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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