



Paisalo Digital has reported a strong set of numbers in Q2'22. Operating performance remained strong.

Revenue and Profitability in line with estimates.

- **NII came in at INR 560 Mn**, +37.0% YoY / 14.5% QoQ vs our estimates of INR 710.0Mn
- **PPOP came in at INR 450 Mn**, +61.0% YoY / +17.0% QoQ vs our expectations of INR 550.0 Mn
- **Provisions came in at INR 160 Mn**, +2.9% QoQ.
- **PAT came in at INR 210 Mn**, (3%) YoY/ +26.1% QoQ vs our estimates of INR 220 Mn
- **EPS stood at INR 5.05** vs INR 5.19 / INR 4.01 in YoY / QoQ respectively.

Financial Highlights

- Advances showed good growth and came in at INR 2282.9 Mn (+11.5% YoY/5.6% QoQ), Disbursements continued to show pace and came in at INR 4,236 Mn, +41.0% QoQ slightly below our expectation of INR 5,000 Mn. Company continues to bring down their corporate book and the disbursements are only happening in the microfinance portfolio.
- Reported Asset Quality deteriorated on a YoY and QoQ basis with GNPA at 1.95% (+113 bps YoY/ +125 bps QoQ) .NNPA stood at 1.61% (+97 bps YoY/ +113 bps QoQ). This is not a major cause of concern as company is now only building the microfinance book and the asset quality is still well in control in comparison to their peers. There is no threat of any legacy issues. Bad debts worth INR 214 Mn written off.
- NIMs at 4.68% (+93 bps YoY/+20 bps QoQ)
- Strong Capital Adequacy with CRAR at 43.3%

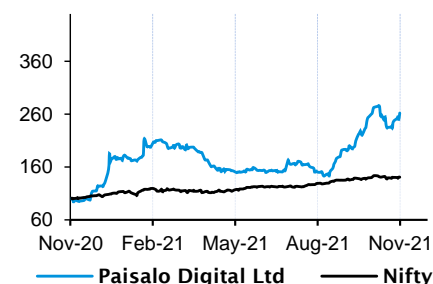
Rating	TP (Rs)	Up/Dn (%)
BUY	1215	16

Market data

Current price	Rs	1050
Market Cap (Rs.Bn)	(Rs Bn)	44.46
Market Cap (US\$ Mn)	(US\$ Mn)	596
Face Value	Rs	10
52 Weeks High/Low	Rs	1143/370
Average Daily Volume	('000)	109
BSE Code		532900
Bloomberg		PAISALO:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	40.64	40.64
Public	59.36	59.36
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs Mn)	FY20	FY21	FY22E	FY23E
NII	2180	1840	2400	3040
Adj net profit	540	600	800	1070
Net worth	7660	8650	9390	10470
Adj BVPS	180	202	218	243
EPS (Rs)	13	14	19	25
P/ABV (x)	5.8	5.1	4.7	4.2
P/E (x)	81	75	55	42
RoA (%)	2.5	2.6	2.7	2.7
RoE (%)	7.6	7.5	8.8	10.8

Source: Dalal & Broacha Research, Company

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Valuation and outlook

Paisalo Digital has reported very strong operational numbers, disbursements came slightly below our estimates, but was still strong. We expect disbursements to pick up pace and the company to at least achieve disbursements of INR 5000 million via their co-lending agreement with SBI in each of the next two quarters of FY22.

At CMP of INR 1,050 the stock trades at 4.7x its FY22E ABV and 4.2x its FY23E ABV. Stock has rallied 47% from our initiation price of INR 712 in 2 months' time and achieved our target price of INR 900 , but we strongly believe that co-lending is the future and Paisalo Digital with its digital infrastructure in place is perfectly positioned to take maximum benefit of the same. So we maintain our "BUY" rating and increase our target price to INR 1,215 from INR 900 valuing the company at 5x FY23 ABV i.e upside of 15.7% from current levels.

Company Financials

P&L (Rs Mn)	FY20	FY21	FY22	FY23
Interest income	3750	3460	4440	5890
Interest expense	1570	1620	2040	2850
NII	2180	1840	2400	3040
Non-interest income	0	0	0	0
Net revenues	2180	1840	2400	3040
Operating expenses	590	500	630	760
PPOP	1590	1340	1770	2280
Provisions	850	540	710	850
PBT	740	800	1060	1430
Tax	200	200	260	360
PAT	540	600	800	1070

Balance sheet (Rs mn)	FY20	FY21	FY22	FY23
Share capital	420	420	420	420
Reserves & surplus	7240	8230	8970	10050
Net worth	7660	8650	9390	10470
Borrowings	11490	12330	21590	30230
Other liability	3320	3457	3620	3811
Total liabilities	22470	24437	34600	44511
Fixed assets	640	627	658	691
Investments	240	240	260	290
Loans	19270	20870	25850	33020
Cash	350	480	5400	7840
Other assets	1970	2220	2432	2670
Total assets	22470	24437	34600	44511

Ratios	FY20	FY21	FY22	FY23
Growth (%)				
NII	3	-16	31	26
PPOP	16	-16	32	29
PAT	-4	12	30	36
Advances	-1	0.1	24	28
Spread (%)				
Yield on Funds	19.4	17.2	19.0	20.0
Cost of Funds	10.6	10.8	11.0	11.0
Spread	8.8	6.4	8.0	9.0
NIM	11.0	8.9	9.1	8.4
Asset quality (%)				
Gross NPAs	0.4	0.7	0.7	0.7
Net NPAs	0.3	0.5	0.6	0.6
Provisions	85	54	71	85
Return ratios (%)				
RoE	7.6	7.5	8.8	10.8
RoA	2.5	2.6	2.7	2.7
Per share (Rs)				
EPS	13.0	14.0	19.0	25.0
BV	181	205	222	248
ABV	180	202	218	243
Valuation (x)				
P/E	80.7	75.0	55.0	42.0
P/BV	5.8	5.1	4.7	4.2
P/ABV	5.8	5.1	4.8	4.3

Source: Dalal & Broacha Research, Company

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