

# Shriram Finance

Estimate change	↔
TP change	↑
Rating change	↔

**CMP: INR1004 TP: INR1,200 (+20%) Buy**

## Healthy quarter driven by NIM expansion and lower slippages

### Earnings in line; stable asset quality with an improvement bias

- Shriram Finance's (SHFL) 3QFY26 PAT rose ~21% YoY to ~INR25.2b (in line). NII grew ~18% YoY to INR65.7b (inline). Other income declined ~2% YoY to INR3.6b (14% lower than est.).
- Opex rose ~21% YoY to INR22.6b (8% higher than our estimate), which included one-time provisions of ~INR2b made on account of the new Labor codes and incentives paid to employees towards festive period schemes. PPOP grew 14% YoY to ~INR46.7b (inline).
- Credit costs stood at ~INR13.1b (~8% lower than MOFSLe), translating into annualized credit costs of ~1.8% (PQ: 1.9% and PY: 2.1%).
- As of Dec'25, SHFL's AUM stood at INR2.92t, with management expecting broad-based growth across segments. Growth in CV will be led by LCV and SCV. LCV growth will be supported by industrial hubs and rural markets, while SCV will benefit from e-commerce expansion in smaller towns. HCV demand, linked to infrastructure activity, has slowed but may see a boost from measures that could be announced in the Union Budget.
- Sectors such as leather, textile, fisheries, and prawns, which were likely to be impacted by the US tariffs, have performed well as customers in these segments have identified alternative export markets. With tariff concerns now limited, SHFL plans to accelerate growth in the MSME segment.
- Aided by a credit rating upgrade and the benefits of a declining interest rate cycle, the management expects CoF to decline by ~1pp over the next 2–3 years. Beyond its focus on new CV loans, gold loans will remain a strong growth driver, supported by branch expansion. Additionally, SHFL sees a significant growth opportunity in the tractor segment, and tractor loans are expected to increase to ~5% of AUM (from ~2.3% now).
- Management shared that the rise in Stage 3 in certain segments, such as MSME and PL, was largely due to temporary delays rather than underlying business stress. SHFL's interactions with its customers indicate that borrowers' businesses remain operational, suggesting limited credit risk.
- SHFL is well positioned to leverage its diversified AUM mix, improved access to liabilities, and enhanced cross-selling opportunities. The equity infusion of MUFG is expected to further accelerate growth and enable the company's entry into adjacent product segments like new CV financing and secured MSME. We expect SHFL to deliver a ~19%/~29% AUM/PAT CAGR over FY26-28E, along with an RoA/RoE of ~3.9%/13.6% by FY28. **We reiterate our BUY rating with a TP of INR1,200 (premised on 2.2x FY28E BVPS).**

### NIM spikes owing to the rationalization of excess liquidity

- Reported NIM improved ~40bp QoQ to ~8.6%. This was primarily driven by rationalization of excess liquidity on the B/S towards the end of Sep'25.
- Yields (calc.) dipped ~15bp QoQ to 16.5%, while CoB declined ~60bp QoQ to 8.7%, resulting in spreads (calc.) improving ~40bp QoQ to ~7.8%.

Bloomberg	SHFL IN
Equity Shares (m)	1881
M.Cap.(INRb)/(USDb)	1888.2 / 20.5
52-Week Range (INR)	1026 / 508
1, 6, 12 Rel. Per (%)	9/54/81
12M Avg Val (INR M)	5099

### Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Total Income	268	333	403
PPOP	186	239	297
PAT	98.5	130.1	164.9
EPS (INR)	52.4	55.3	70.1
EPS Gr. (%)	19	6	27
Standalone BV (INR)	344	487	546

### Metrics

NIM on assets (%)	8.2	8.9	9.1
C/I ratio (%)	30.8	28.3	26.5
RoAA (%)	3.2	3.7	3.9
RoE (%)	16.3	14.5	13.6
Div. Payout (%)	22.2	22.9	20.3

### Valuations

P/E (x)	19.1	18.1	14.3
P/BV (x)	2.9	2.1	1.8
Div. Yield (%)	1.2	1.3	1.4

### Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	25.4	25.4	25.4
DII	21.3	18.7	16.0
FII	47.2	49.6	53.1
Others	6.1	6.3	5.6

FII includes depository receipts

- Management has guided for NIMs between 8.5-9.0% in the near term. We expect SHFL to deliver a NIM of 8.2% for FY26. We also project a sharp improvement in NIM to 8.9%/9.1% for FY27/FY28.

#### Stable asset quality; slippages and credit costs trend lower

- GS3 was broadly stable at 4.5%, while NS3 improved ~10bp QoQ to 2.4%. Net slippages improved to 1.3% (PY: 2.1% and PQ: 1.6%). Stage 2 assets improved ~15bp QoQ to 6.8%. (PQ: 6.9% and PY: 6.7%).
- PCR on Stage 3 rose ~2pp QoQ to ~49% (PQ: ~47% and PY: ~52%). PCR on stage 1 and stage 2 was broadly stable QoQ at ~3.5%/8.3%, respectively.
- The company guided for credit costs at ~2% in the near term, which could further moderate to ~1.8% over the long term. We model credit costs of ~1.9% (as a % of the AUM) for SHFL in FY27/FY28.

#### Highlights from the management commentary

- Gold loans will be a strong growth driver for SHFL, and the company plans to add more gold loan branches, with a detailed plan expected by Mar'26. The management wants to further evaluate which operating model in gold loans works best before scaling up further.
- SHFL targets to expand into secured MSME lending to relatively larger enterprises. By leveraging property-backed security and cash flow-based assessment, the company can cater to higher-ticket MSME loans.

#### Valuation and view

- SHFL continues to demonstrate strong business momentum, supported by healthy NIM, improving asset quality, and robust growth drivers across CV, PV finance, MSME, and gold loans. The moderation in credit costs and disciplined balance sheet management positions the company well for sustained earnings growth. Its diversified AUM mix, improved access to lower-cost funding from the credit rating upgrade, and strategic partnership with MUFG add further strength to the franchise.
- The stock is currently trading at 2.1x FY27E P/B. We expect SHFL to deliver a ~19%/~29% AUM/PAT CAGR over FY26-28E, along with an RoA/RoE of ~3.9%/13.6% by FY28. **We reiterate our BUY rating with a TP of INR1,200 (premised on 2.2x FY28E BVPS).**

**Quarterly Performance**

(INR m)

Y/E March	FY25				FY26E				FY25	FY26	3Q FY26E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	93,628	98,145	1,03,408	1,07,895	1,11,732	1,15,506	1,18,331	1,22,964	4,03,076	4,68,534	1,19,491	-1
Interest Expenses	41,289	43,504	47,513	52,240	54,008	55,248	52,591	54,295	1,84,546	2,16,141	54,143	-3
<b>Net Interest Income</b>	<b>52,339</b>	<b>54,641</b>	<b>55,896</b>	<b>55,655</b>	<b>57,725</b>	<b>60,258</b>	<b>65,740</b>	<b>68,670</b>	<b>2,18,531</b>	<b>2,52,392</b>	<b>65,348</b>	1
YoY Growth (%)	24.6	18.9	13.8	9.4	10.3	10.3	17.6	23.4	16.3	15.5	16.9	
Other Income	2,343	2,805	3,646	6,707	3,685	3,643	3,584	5,007	15,518	15,920	4,150	-14
<b>Total Income</b>	<b>54,682</b>	<b>57,446</b>	<b>59,542</b>	<b>62,363</b>	<b>61,410</b>	<b>63,901</b>	<b>69,325</b>	<b>73,676</b>	<b>2,34,049</b>	<b>2,68,312</b>	<b>69,498</b>	0
YoY Growth (%)	21.1	16.2	14.1	13.2	12.3	11.2	16.4	18.1	15.9	14.6	16.7	
Operating Expenses	16,140	17,597	18,692	19,010	19,486	19,486	22,620	20,956	71,440	82,547	21,029	8
<b>Operating Profit</b>	<b>38,541</b>	<b>39,848</b>	<b>40,850</b>	<b>43,353</b>	<b>41,924</b>	<b>44,415</b>	<b>46,705</b>	<b>52,720</b>	<b>1,62,609</b>	<b>1,85,765</b>	<b>48,469</b>	-4
YoY Growth (%)	23.3	14.5	10.7	11.0	8.8	11.5	14.3	21.6	14.5	14.2	18.7	
Provisions & Loan Losses	11,876	12,350	13,258	15,633	12,857	13,333	13,103	14,783	53,117	54,077	14,228	-8
<b>Profit before Tax</b>	<b>26,666</b>	<b>27,498</b>	<b>27,592</b>	<b>27,720</b>	<b>29,067</b>	<b>31,082</b>	<b>33,602</b>	<b>37,937</b>	<b>1,09,493</b>	<b>1,31,688</b>	<b>34,241</b>	-2
Tax Provisions	6,860	6,803	6,788	6,326	7,510	8,028	8,385	9,262	26,776	33,185	8,560	-2
<b>Net Profit</b>	<b>19,806</b>	<b>20,696</b>	<b>20,804</b>	<b>21,394</b>	<b>21,557</b>	<b>23,053</b>	<b>25,217</b>	<b>28,675</b>	<b>82,716</b>	<b>98,503</b>	<b>25,681</b>	-2
YoY Growth (%)	18.2	18.2	14.4	9.9	8.8	11.4	21.2	34.0	15.0	19.1	23.4	
Exceptional gain (Post tax)			14,894						14,894	0		
<b>PAT (incl. except. gains/loss)</b>			<b>35,698</b>						<b>97,610</b>	<b>98,503</b>		
<b>Key Parameters (Calc., %)</b>												
Yield on loans	16.3	16.5	16.6	16.7	16.7	16.7	16.5					
<b>Cost of funds</b>	8.7	8.7	8.8	9.1	9.1	9.3	<b>8.7</b>					
Spread	7.6	7.8	7.8	7.5	7.6	7.4	7.9					
NIM	9.14	9.17	9.0	8.60	8.62	8.71	9.2					
C/I ratio	29.5	30.6	31.4	30.5	31.7	30.5	32.6					
Credit cost	2.1	2.1	2.1	2.4	1.9	1.9	1.8					
Tax rate	25.7	24.7	24.6	22.8	25.8	25.8	25.0					
<b>Balance Sheet Parameters</b>												
<b>Disbursements (INR b)</b>	<b>377</b>	<b>400</b>	<b>438</b>	<b>448</b>	<b>418</b>	<b>430</b>	<b>486</b>					
Growth (%)	23.8	15.5	15.8	14.0	10.9	7.6	11.1					
<b>AUM (INR b)</b>	<b>2,334</b>	<b>2,430</b>	<b>2,545</b>	<b>2,632</b>	<b>2,722</b>	<b>2,813</b>	<b>2,917</b>					
Growth (%)	20.8	19.9	18.8	17.0	16.6	15.7	14.6					
<b>Borrowings (INR b)</b>	<b>1,917</b>	<b>2,078</b>	<b>2,235</b>	<b>2,342</b>	<b>2,429</b>	<b>2,343</b>	<b>2,517</b>					
Growth (%)	18.4	25.7	25.9	26.0	26.7	12.7	12.7					
<b>Asset Quality Parameters</b>												
GS 3 (INR B)	124.1	127.6	135.2	118.4	122.0	127.4	131.2					
GS 3 (%)	5.39	5.32	5.38	4.55	4.53	4.57	4.54					
NS 3 (INR B)	60.62	61.66	65.4	67.14	67.93	67.88	67.2					
NS 3 (%)	2.71	2.64	2.68	2.64	2.57	2.49	2.38					
PCR (%)	51.15	51.70	51.6	43.28	44.31	46.70	48.8					

E: MOFSL estimates



## Highlights from the management commentary

### Guidance

- Guided for AUM growth of ~18%, with acceleration expected in the new vehicle business in 4QFY26, which is seasonally strong.
- Cost of borrowings to decline by ~1pp over the next 2-3 years. NIM is expected to remain between 8.5% and 9.0% in the near term.
- Near-term credit cost guidance of ~2%, which is expected to moderate as the new vehicle segment grows. The management guided for a credit cost of ~1.8% over the long term.
- After the Equity infusion, the company will continue its core focus on PV, CV, and MSME segments and leverage secured MSME lending.

### Macroeconomic and Business Updates

- India's economy continues to perform strongly, with GDP growth supporting robust credit demand.
- RBI repo rate cut of 25bp to 5.25% improves affordability; CPI inflation has reduced to ~2%, supporting consumer spending.
- Rural economy remains strong, with consumption and credit demand robust-benefiting SFL due to large rural presence.
- Infrastructure allocation and GST collections are expected to support further economic activity.
- Auto industry growth in 3QFY26: PV: +20.6% | 2W: +16.9% | 3W: +14% | LCV: +21.5% | MHCV: +21.6% | Tractors: +28.8% | CE declined 14%
- Credit demand remained reasonably good with strong credit quality across geographies.
- Overall transportation market projected to grow ~12–15%

### Operational Metrics

- AUM stood at ~INR2.92t, up ~15% YoY / 3.7% QoQ.
- Reported NIM rose ~40bp QoQ to ~8.6%; PAT rose ~21% YoY to INR25.2b.
- Stage 3 assets remain broadly stable at ~4.5%, while NS3 improved ~10bp QoQ to ~2.4%.
- Credit cost on total assets stood at 1.62%.
- CI ratio stood at ~29.7% and increased due to provisions of INR1.97b under the new labor codes.
- Incremental CoB stood at 7.73% (vs 8.12% in 2QFY26); Portfolio CoB as of Dec'25 stood at 8.69% (PQ: 8.83%). Expects a 30-40bp benefit in its incremental CoB in the coming quarters, driven by the credit rating upgrade.
- Liquidity was maintained at a little over three months of liability repayments.
- Credit ratings upgraded by CARE. CRISIL and CARE have upgraded their outlook to Positive.

### Business & Segment Updates

#### PV & 2W

- 2W growth moderated compared to the previous quarter, though ample scope for expansion remains.
- PV buyers are largely first-time buyers; good demand for used PV vehicles.

## CV

- LCV and SCV demand is improving as rural consumption patterns shift, with more customers upgrading to newer vehicles. LCV growth is expected from industrial hubs and rural markets. SCVs are performing well, supported by the rise of e-commerce in smaller towns. HCV demand depends on infrastructure activity, which has slowed recently, but budgetary measures are expected to boost HCV growth. Overall, growth is likely from LCVs, SCVs, and other last-mile vehicles.
- CV utilization levels remain high (21–25 days vs 19–22 previously).
- There continues to be a gap between market demand and actual sales, providing room for growth for CV.

## MSME

- Contrary to market concerns around tariff-related stress, MSME performance remains resilient. The segment performed well during the quarter in both collections and lending.
- MSME customers are successfully finding alternative export markets such as the Middle East, ASEAN, and Europe. Sectors like leather, textile, fisheries, and prawns have adapted well, and no material challenges are visible. The company plans to accelerate growth in these segments, now that tariff concerns are limited.
- In MSME, it aims to expand secured lending to larger enterprises. By leveraging property-backed security and cash flow-based assessment, the company can increase ticket sizes and will be able to deploy incoming MUFG capital effectively.

## Farm Equipment / Tractors

- Tractor demand is strong, supported by good Kharif and Rabi seasons. Demand is expected to remain healthy going forward.
- There is a huge opportunity in SHFL in the Tractors segment, and it will be growing at a higher rate in Tractors going forward. There is some seasonality in the earnings of the tractor customers, and it will have to design its products appropriately. Expects tractors in the AUM mix to increase to 5% (from 2.5% now)

## Gold Loans

- Gold loans present significant growth potential. Disbursements have increased sharply due to branch additions, though portfolio growth has remained muted due to early repayments.
- Gold loans are largely a cross-sell product; management believes cross-selling alone can double the portfolio. Data indicates customers often hold gold loans across multiple lenders.
- NBFC yields for gold loans range between ~18–20%. SFL operates in a similar range.
- Exclusive gold loan branches have performed well; residential-area locations are preferred for customer convenience. SHFL plans to add more gold loan branches, with a detailed plan likely by Mar'26, since the management needs to further evaluate which operating model works best before scaling further.

## CE & PL

- CE portfolio declined due to limited lending opportunities; PL growth slowed.

### Customer Profile

- Focus will be on retaining customers, as ~30% of customers move to banks or captive finance companies; the company plans to retain them, especially those with a track record of more than six years.
- Benefits such as rate concessions will be passed on to retain customers. If SHFL prices is products within ~100–150bp of Banks' offerings, it should ensure customer stickiness.
- At SHFL, customer pricing is based on the company's internal ratings rather than publicly available credit bureau scores.

### NIM

- Difference in CoB due to AA and AAA ratings: ~100bp; visible CoF benefits expected over 2–3 years.
- Overall, the CoB decline was aided by securitization transactions.
- Some benefits of the Ratings upgrade will be passed to customers; further reductions in CoF are expected gradually. No rating-related benefit has yet flowed into bank borrowing, and benefits from rating upgrades will gradually flow into the liability book over 2–3 years
- S&P international rating upgrade will aid future offshore borrowings (but the company has no immediate plans).

### Asset Quality

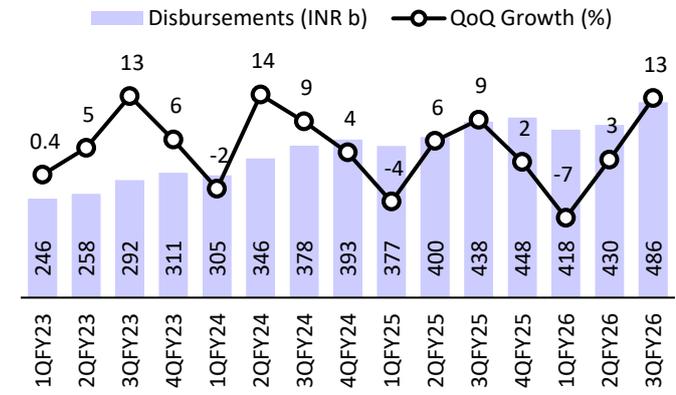
- Stage 3 assets increased (on an absolute basis), primarily due to temporary delays rather than business stress. However, customer interactions suggest businesses of the customers remain operational, indicating limited risk of credit loss. The impact is expected to remain within Stage 2 / Stage 3 and not translate into material losses.
- Pharma, MSME, and tariff-impacted sectors (textile, leather, fisheries, prawns) have adapted with alternative markets.
- Stage 3 increase is considered temporary; stress is not broad-based.

### Other Highlights

- Incremental borrowings will be done conservatively because of the equity infusion from MUFG. The company will focus on business growth and prepayment of high-cost liabilities.
- Employee expenses rose during the quarter due to incentive schemes given out to employees during the festive period.
- MUFG equity infusion of ~INR400b will be utilized quickly, given that the company's quarterly disbursement ranges between INR450–500b.
- AUM mix is expected to remain largely unchanged. Lowering of credit costs and improvement in NIM are expected to support RoA and RoE.
- The company has no dealer-level presence and prefers to work directly with OEMs. A new CSO has been appointed to strengthen OEM engagement.
- Healthy demand observed in Tamil Nadu, with freight rates remaining stable and no significant declines across the region.

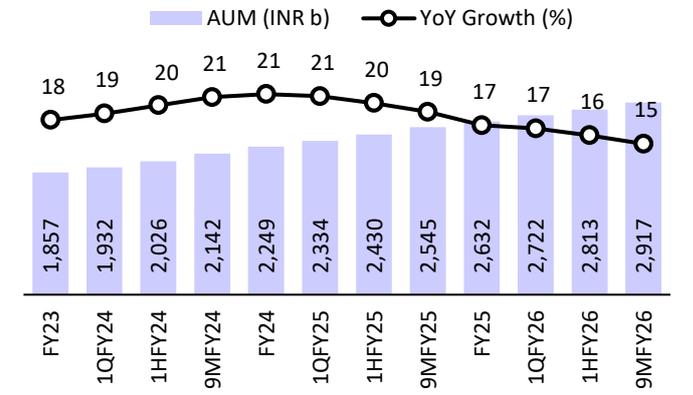
## Key exhibits

**Exhibit 1: Disbursements grew 11% YoY/ 13% QoQ...**



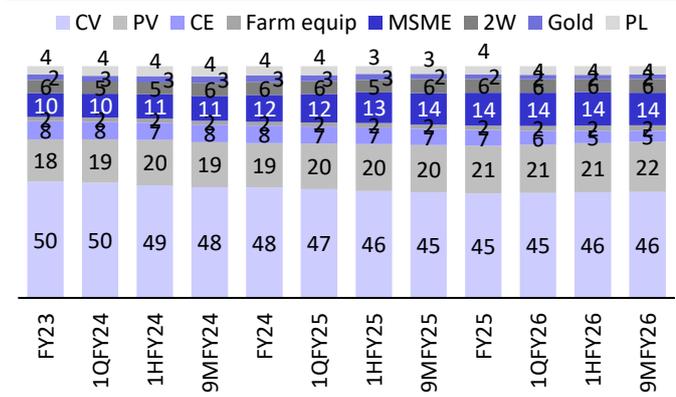
Source: MOFSL, Company

**Exhibit 2: ...leading to an AUM growth of 15% YoY/ 4% QoQ**



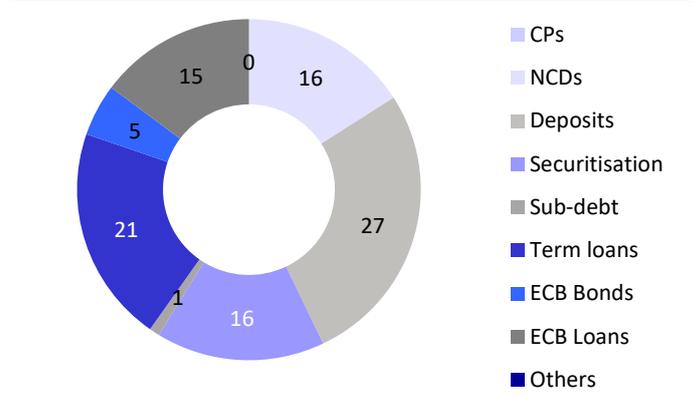
Source: MOFSL, Company

**Exhibit 3: AUM mix largely stable (%)**



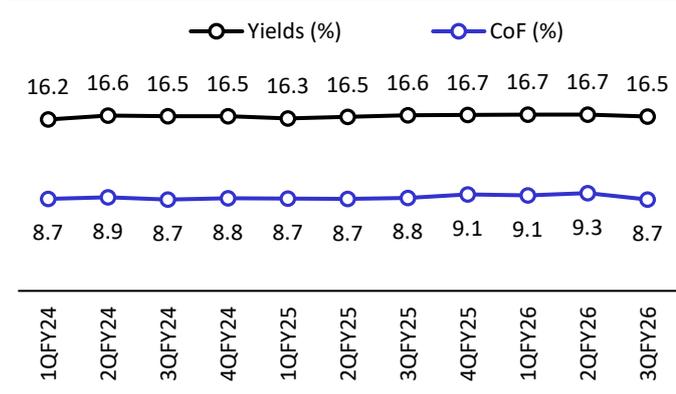
Source: MOFSL, Company

**Exhibit 4: Borrowing mix as of Dec'25 (%)**



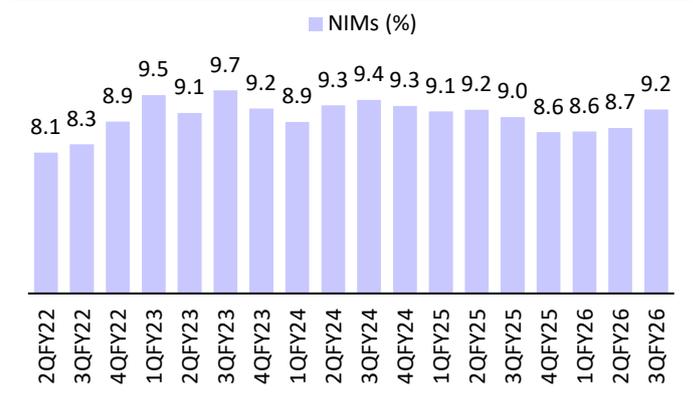
Source: MOFSL, Company

**Exhibit 5: CoF (calc.) declined ~60bp QoQ (%)**



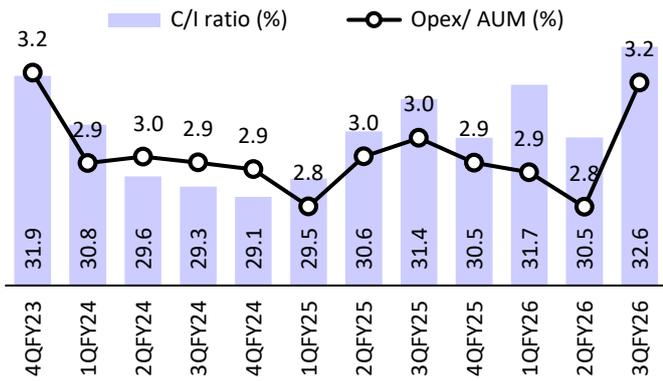
Source: MOFSL, Company

**Exhibit 6: NIM (calc.) improved ~50bp QoQ (%)**



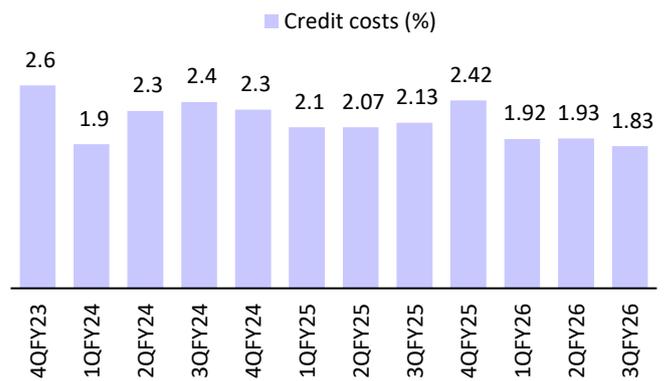
Source: MOFSL, Company

**Exhibit 7: Cost-to-income increased ~2.1pp QoQ**



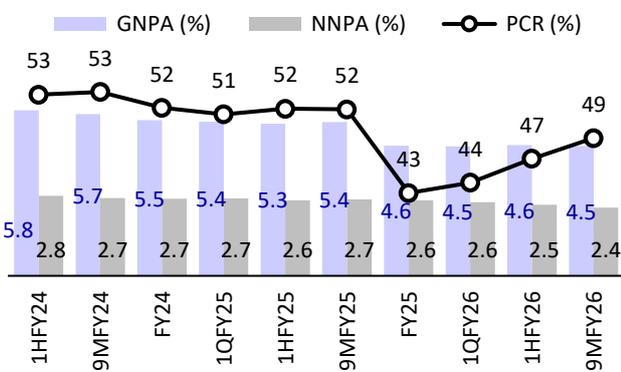
Source: MOFSL, Company

**Exhibit 8: Credit costs (calc.) declined ~10bp QoQ**



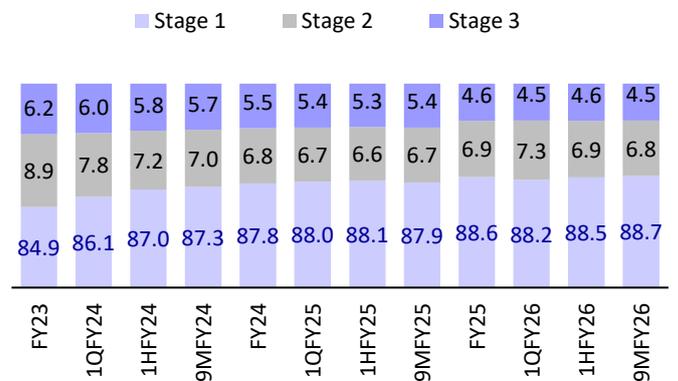
Source: MOFSL, Company

**Exhibit 9: GS3 remained largely stable QoQ**



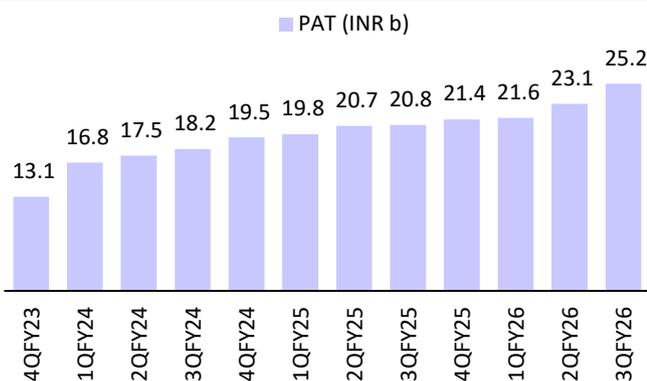
Source: MOFSL, Company

**Exhibit 10: Stage 2 declined ~10bp QoQ (%)**



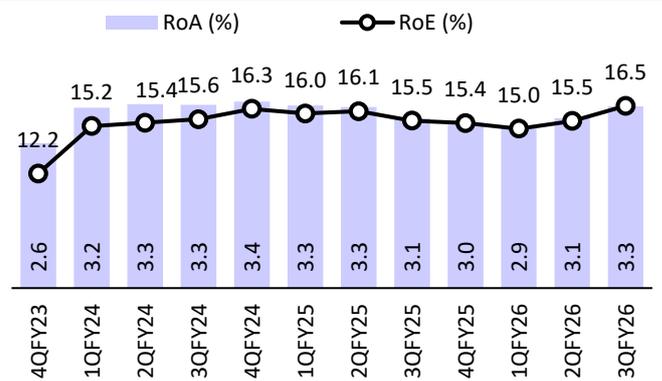
Source: MOFSL, Company

**Exhibit 11: PAT grew ~21% YoY**

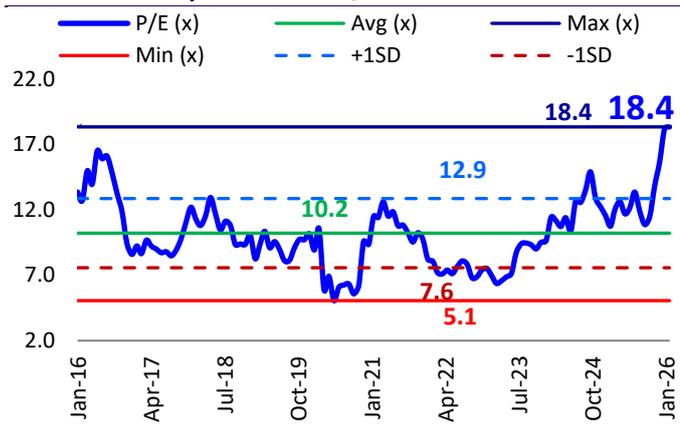


Source: MOFSL, Company

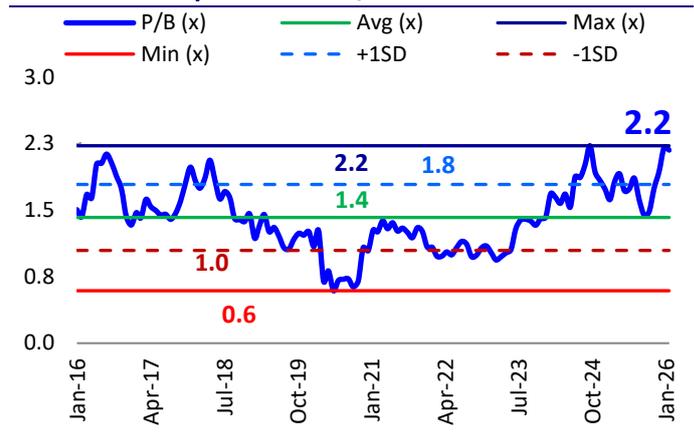
**Exhibit 12: RoA rose to ~3.3% in 3QFY26**



Source: MOFSL, Company

**Exhibit 13: One-year forward P/E**


Source: MOFSL, Company

**Exhibit 14: One-year forward P/B**


Source: MOFSL, Company

**Exhibit 15: We keep our estimates broadly unchanged**

INR B	Old Est.			New Est.			Change (%)		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII (incl. assignments)	252.2	316.4	386.7	252.4	315.5	384.8	0.1	-0.3	-0.5
Other Income	16.3	17.7	19.2	15.9	17.3	18.7	-2.6	-2.6	-2.7
<b>Total Income</b>	<b>268.5</b>	<b>334.1</b>	<b>405.9</b>	<b>268.3</b>	<b>332.8</b>	<b>403.5</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.6</b>
Operating Expenses	81.8	93.6	106.7	82.5	94.1	106.7	0.9	0.5	0.0
<b>Operating Profits</b>	<b>186.7</b>	<b>240.5</b>	<b>299.2</b>	<b>185.8</b>	<b>238.7</b>	<b>296.8</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.8</b>
Provisions	56.3	65.9	78.7	54.1	64.7	76.3	-3.9	-1.7	-3.0
<b>PBT</b>	<b>130.4</b>	<b>174.6</b>	<b>220.5</b>	<b>131.7</b>	<b>174.0</b>	<b>220.4</b>	<b>1.0</b>	<b>-0.4</b>	<b>0.0</b>
Tax	32.9	44.0	55.6	33.2	43.8	55.5	1.0	-0.4	0.0
<b>PAT</b>	<b>97.5</b>	<b>130.6</b>	<b>164.9</b>	<b>98.5</b>	<b>130.1</b>	<b>164.9</b>	<b>1.0</b>	<b>-0.4</b>	<b>0.0</b>
AUM	3,055	3,634	4,324	3,045	3,624	4,284	-0.3	-0.3	-0.9
Loans	2,857	3,417	4,079	2,848	3,406	4,040	-0.3	-0.3	-1.0
Borrowings	2,551	2,711	3,277	2,543	2,700	3,243	-0.3	-0.4	-1.0
NIM	8.9	9.5	9.7	8.9	9.5	9.7			
Credit Cost (%)	2.1	2.1	2.1	2.0	2.1	2.1			
RoA	3.2	3.7	3.9	3.2	3.7	3.9			
<b>RoE</b>	<b>16.1</b>	<b>14.6</b>	<b>13.6</b>	<b>16.3</b>	<b>14.5</b>	<b>13.6</b>			

Y/E MARCH	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	15.7	14.7	14.4	14.8	15.2	15.2	15.2	15.3	15.1
Interest Expended	7.4	7.2	7.1	6.5	6.7	7.0	7.0	6.4	6.0
<b>Net Interest Income</b>	<b>8.3</b>	<b>7.5</b>	<b>7.3</b>	<b>8.3</b>	<b>8.5</b>	<b>8.2</b>	<b>8.2</b>	<b>8.9</b>	<b>9.1</b>
Non-interest income	0.4	0.3	0.5	0.6	0.6	0.6	0.5	0.5	0.4
<b>Net Total Income</b>	<b>8.6</b>	<b>7.8</b>	<b>7.8</b>	<b>8.9</b>	<b>9.2</b>	<b>8.8</b>	<b>8.7</b>	<b>9.4</b>	<b>9.6</b>
<b>Operating Expenses</b>	<b>2.6</b>	<b>2.2</b>	<b>2.2</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>
- Employee expenses	1.3	1.1	1.1	1.3	1.5	1.4	1.4	1.4	1.3
- Other expenses	1.2	1.1	1.0	1.2	1.3	1.3	1.3	1.3	1.2
<b>PPoP</b>	<b>6.1</b>	<b>5.6</b>	<b>5.6</b>	<b>6.4</b>	<b>6.4</b>	<b>6.1</b>	<b>6.0</b>	<b>6.7</b>	<b>7.0</b>
Provisions/write offs	2.6	2.6	2.7	2.2	2.0	2.0	1.8	1.8	1.8
<b>PBT</b>	<b>3.4</b>	<b>3.0</b>	<b>2.9</b>	<b>4.2</b>	<b>4.4</b>	<b>4.1</b>	<b>4.3</b>	<b>4.9</b>	<b>5.2</b>
Tax	0.9	0.8	0.7	1.1	1.1	1.0	1.1	1.2	1.3
<b>RoA</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>	<b>3.1</b>	<b>3.3</b>	<b>3.1</b>	<b>3.2</b>	<b>3.7</b>	<b>3.9</b>
Avg. Leverage	5.9	5.7	5.4	4.9	4.8	5.1	5.1	4.0	3.5
<b>RoE</b>	<b>14.9</b>	<b>12.8</b>	<b>11.8</b>	<b>15.3</b>	<b>15.7</b>	<b>15.8</b>	<b>16.3</b>	<b>14.5</b>	<b>13.6</b>

## Financials and valuation

Income Statement										(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
Interest Income	2,19,646	2,26,997	2,48,605	2,86,074	3,35,997	4,03,076	4,68,534	5,42,232	6,37,384	
Interest Expenses	1,04,105	1,11,881	1,22,668	1,25,458	1,48,061	1,84,546	2,16,141	2,26,725	2,52,562	
<b>Net Interest Income</b>	<b>1,15,541</b>	<b>1,15,116</b>	<b>1,25,936</b>	<b>1,60,616</b>	<b>1,87,935</b>	<b>2,18,531</b>	<b>2,52,392</b>	<b>3,15,507</b>	<b>3,84,822</b>	
Change (%)	0.1	-0.4	9.4	27.5	17.0	16.3	15.5	25.0	22.0	
Other Operating Income	4,748	4,514	9,214	11,648	13,648	15,268	15,369	16,689	18,050	
Other Income	235	237	227	307	332	251	551	579	608	
<b>Total Income</b>	<b>1,20,524</b>	<b>1,19,867</b>	<b>1,35,378</b>	<b>1,72,571</b>	<b>2,01,915</b>	<b>2,34,049</b>	<b>2,68,312</b>	<b>3,32,774</b>	<b>4,03,480</b>	
Change (%)	1.9	-0.5	12.9	27.5	17.0	15.9	14.6	24.0	21.2	
<b>Total Operating Expenses</b>	<b>35,803</b>	<b>33,500</b>	<b>37,805</b>	<b>49,131</b>	<b>59,895</b>	<b>71,440</b>	<b>82,547</b>	<b>94,073</b>	<b>1,06,725</b>	
Change (%)	6.3	-6.4	12.8	30.0	21.9	19.3	15.5	14.0	13.4	
Employee Expenses	18,585	16,699	19,695	25,061	32,156	36,512	41,988	48,706	56,012	
Depreciation	2,232	2,172	2,137	5,242	5,688	6,453	6,958	7,398	7,808	
Other Operating Expenses	14,986	14,629	15,973	18,828	22,051	28,475	33,601	37,969	42,904	
<b>Operating Profit</b>	<b>84,721</b>	<b>86,367</b>	<b>97,573</b>	<b>1,23,441</b>	<b>1,42,020</b>	<b>1,62,609</b>	<b>1,85,765</b>	<b>2,38,701</b>	<b>2,96,755</b>	
Change (%)	0.1	1.9	13.0	26.5	15.1	14.5	14.2	28.5	24.3	
<b>Total Provisions</b>	<b>36,786</b>	<b>39,693</b>	<b>47,485</b>	<b>41,592</b>	<b>45,183</b>	<b>53,117</b>	<b>54,077</b>	<b>64,730</b>	<b>76,322</b>	
% Loan loss provisions to Avg loans ratio	2.7	2.8	3.1	2.4	2.2	2.3	2.0	2.1	2.1	
<b>PBT</b>	<b>47,935</b>	<b>46,674</b>	<b>50,088</b>	<b>81,849</b>	<b>96,836</b>	<b>1,09,493</b>	<b>1,31,688</b>	<b>1,73,971</b>	<b>2,20,433</b>	
Tax Provisions	12,913	11,692	12,164	22,056	24,932	26,776	33,185	43,841	55,549	
Tax Rate (%)	26.9	25.1	24.3	26.9	25.7	24.5	25.2	25.2	25.2	
<b>PAT</b>	<b>35,022</b>	<b>34,982</b>	<b>37,925</b>	<b>59,793</b>	<b>71,905</b>	<b>82,716</b>	<b>98,503</b>	<b>1,30,130</b>	<b>1,64,884</b>	
Change (%)	-1.4	-0.1	8.4	57.7	20.3	15.0	19.1	32.1	26.7	
<b>PAT (incl. exceptional gains)</b>	<b>35,022</b>	<b>34,982</b>	<b>37,925</b>	<b>59,793</b>	<b>71,905</b>	<b>97,610</b>	<b>98,503</b>	<b>1,30,130</b>	<b>1,64,884</b>	

Balance Sheet										(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
Equity Share Capital	2,929	3,191	3,371	3,744	3,758	3,761	3,761	4,703	4,703	
Reserves & Surplus	2,47,288	2,91,764	3,43,760	4,29,322	4,81,926	5,59,045	6,42,504	11,41,298	12,78,733	
<b>Net Worth</b>	<b>2,50,217</b>	<b>2,94,954</b>	<b>3,47,132</b>	<b>4,33,066</b>	<b>4,85,684</b>	<b>5,62,806</b>	<b>6,46,265</b>	<b>11,46,001</b>	<b>12,83,436</b>	
<b>Borrowings</b>	<b>11,75,376</b>	<b>13,17,617</b>	<b>14,51,285</b>	<b>15,79,063</b>	<b>18,58,411</b>	<b>23,41,973</b>	<b>25,42,573</b>	<b>26,99,634</b>	<b>32,42,994</b>	
Change (%)	6.4	12.1	10.1	8.8	17.7	26.0	8.6	6.2	20.1	
<b>Other liabilities</b>	<b>25,436</b>	<b>26,317</b>	<b>23,320</b>	<b>24,509</b>	<b>28,665</b>	<b>30,551</b>	<b>33,606</b>	<b>36,967</b>	<b>40,663</b>	
<b>Total Liabilities</b>	<b>14,51,029</b>	<b>16,38,888</b>	<b>18,21,754</b>	<b>20,36,639</b>	<b>23,72,760</b>	<b>29,35,329</b>	<b>32,22,444</b>	<b>38,82,602</b>	<b>45,67,093</b>	
<b>Cash and bank balances</b>	<b>1,03,773</b>	<b>2,16,562</b>	<b>2,29,679</b>	<b>1,58,174</b>	<b>1,08,126</b>	<b>2,13,657</b>	<b>1,29,253</b>	<b>2,21,816</b>	<b>2,53,464</b>	
Investments	35,326	42,152	86,455	85,651	1,06,566	1,55,987	1,24,790	1,18,550	1,24,478	
<b>Loans</b>	<b>12,88,442</b>	<b>13,57,232</b>	<b>14,76,890</b>	<b>17,19,846</b>	<b>20,79,294</b>	<b>24,53,928</b>	<b>28,47,725</b>	<b>34,06,396</b>	<b>40,39,678</b>	
Change (%)	4.1	5.3	8.8	16.5	20.9	18.0	16.0	19.6	18.6	
Fixed Assets	7,181	6,599	6,467	6,997	8,458	10,257	10,770	11,308	11,874	
Deferred tax Assets	694	6,964	9,109	17,439	28,840	36,949	29,559	23,647	18,918	
Goodwill				14,067	14,067	11,895	11,895	11,895	11,895	
Other Assets	15,613	9,379	13,137	34,465	27,408	52,657	68,454	88,990	1,06,788	
<b>Total Assets</b>	<b>14,51,029</b>	<b>16,38,888</b>	<b>18,21,737</b>	<b>20,36,639</b>	<b>23,72,760</b>	<b>29,35,329</b>	<b>32,22,444</b>	<b>38,82,602</b>	<b>45,67,093</b>	

AUM Mix (%)										(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	
<b>AUM</b>	13,88,342	14,68,128	15,77,122	18,56,829	22,48,620	26,31,903	30,44,998	36,23,670	42,84,008	
Change (%)	4	6	7	18	21	17	16	19	18	
<b>Disbursements</b>	7,05,733	5,21,985	8,62,135	11,06,899	14,21,675	16,62,981	18,48,349	21,92,903	25,54,381	
Change (%)	-3	-26	65	28	28	17	11	19	16	

E: MOFSL Estimates

## Financials and valuation

Ratios							(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Spreads Analysis (%)</b>									
Avg. Yield on Loans	17.4	17.2	17.5	17.9	17.7	17.8	17.68	17.34	17.1
Avg Cost of Funds	9.1	9.0	8.9	8.3	8.6	8.8	8.85	8.65	8.5
Spread of loans	8.3	8.2	8.7	9.6	9.1	9.0	8.83	8.69	8.6
NIM (on assets)	8.3	7.5	7.3	8.3	8.5	8.2	8.2	8.9	9.1
C/l ratio	29.7	27.9	27.9	28.5	29.7	30.5	30.8	28.3	26.5
<b>Profitability Ratios (%)</b>									
RoE	14.9	12.8	11.8	15.3	15.7	15.8	16.3	14.5	13.6
RoA	2.5	2.3	2.2	3.1	3.3	3.1	3.2	3.7	3.9
Int. Expended / Int. Earned	47.4	49.3	49.3	43.9	44.1	45.8	46.1	41.8	39.6
Other Inc. / Net Income	4.1	4.0	7.0	6.9	6.9	6.6	5.9	5.2	4.6
<b>Efficiency Ratios (%)</b>									
Op. Exps. / Net Income	29.7	27.9	27.9	28.5	29.7	30.5	30.8	28.3	26.5
Empl. Cost/Op. Exps.	51.9	49.8	52.1	51.0	53.7	51.1	50.9	51.8	52.5
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	1.1	1.0	1.0	1.1	1.1	1.0	1.1	1.3	1.2
Assets/Equity	5.8	5.6	5.2	4.7	4.9	5.2	5.0	3.4	3.6
<b>Asset quality (%)</b>									
GNPA	1,14,400	1,01,688	1,09,762	1,13,822	1,20,812	1,18,388	1,37,882	1,55,932	1,77,414
NNPA	66,256	51,523	49,731	56,749	58,245	67,145	75,835	85,763	97,577
GNPA ratio	8.3	6.9	6.9	6.2	5.5	4.6	4.6	4.4	4.2
NNPA ratio	5.0	3.6	3.3	3.2	2.7	2.6	2.6	2.4	2.4
PCR	42.1	49.3	54.7	50.1	51.8	43.3	45.0	45.0	45.0
Credit Costs (% of loans)	2.7	2.8	3.1	2.4	2.2	2.3	2.0	2.1	2.1
<b>Valuations</b>									
Book Value (INR)	171	185	206	231	258	299	344	487	546
BV Growth (%)	14	8	11	12	12	16	15	42	12
P/BV	<b>5.9</b>	<b>5.4</b>	<b>4.9</b>	<b>4.3</b>	<b>3.9</b>	<b>3.4</b>	<b>2.9</b>	<b>2.1</b>	<b>1.8</b>
EPS (INR)	24	22	22	32	38	44	52	55	70
EPS Growth (%)	-1.4	-8.3	2.6	42.0	19.8	14.9	19.1	5.6	26.7
P/E	<b>41.9</b>	<b>45.7</b>	<b>44.6</b>	<b>31.4</b>	<b>26.2</b>	<b>22.8</b>	<b>19.1</b>	<b>18.1</b>	<b>14.3</b>
DPS	1.0	4.2	4.7	7.0	9.0	9.9	12	13	14
Dividend Yield (%)	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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