

# Shriram Finance

BSE SENSEX

80,738

S&amp;P CNX

24,543



## Stock Info

Bloomberg	SHFL IN
Equity Shares (m)	1880
M.Cap.(INRb)/(USD\$)	1219.1 / 14.2
52-Week Range (INR)	730 / 439
1, 6, 12 Rel. Per (%)	6/2/24
12M Avg Val (INR M)	4396
Free float (%)	74.6

## Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
Total Income	234	278	327
PPOP	163	196	233
PAT	82.7	99.5	117.9
EPS (INR)	44	53	63
EPS Gr. (%)	15	20	19
BV (INR)	299	344	394

## Valuations

NIM on AUM (%)	9.0	9.1	9.3
C/I ratio (%)	30.5	29.6	28.7
RoAA (%)	3.1	3.2	3.3
RoE (%)	15.8	16.4	17.0
Div. Payout (%)	22.5	22.7	22.5

## Valuations

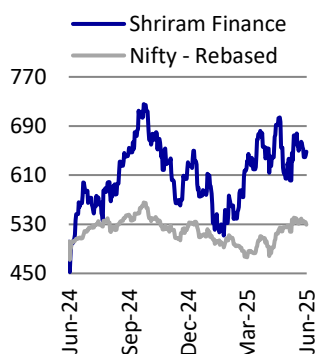
P/E (x)	14.7	12.3	10.3
P/BV (x)	2.2	1.9	1.6
Div. Yield (%)	1.5	1.9	2.2

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	25.4	25.4	25.4
DII	15.3	16.0	15.7
FII	53.6	53.1	53.9
Others	5.7	5.6	5.0

FII Includes depository receipts

## Stock performance (one-year)


**CMP: INR648**
**TP: INR800 (+23%)**
**Buy**

## Asset quality headwinds to gradually subside

### Normalization in surplus liquidity and declining rate cycle to boost NIM

- The last quarter of FY25 was a mixed bag for Shriram Finance (SHFL) as its AUM growth and disbursement momentum were healthy but its asset quality exhibited minor deterioration over the previous two quarters. The weakness stemmed from a slowdown in demand amid muted government capex and weak cashflows in the hands of customers. Additionally, SHFL reported margin compression, primarily driven by surplus liquidity on the balance sheet from the large ECB issuances during Dec'24-Mar'25.
- While both factors weighed on the company's performance over the last two quarters, we believe these transitory headwinds will now gradually recede. Margins are expected to improve going forward, supported by a gradual normalization of excess liquidity and potential repo rate cuts during the year. An improving product mix with a higher contribution from non-auto segments is expected to support blended yield expansion, further aiding margin improvement.
- Credit costs remained high in 4QFY25, due to high net slippages and minor deterioration in asset quality. Beyond the weak seasonality of 1H FY26, we expect the asset quality outlook to improve in 2H FY26. This is also reflected in the company's guidance of near-term stability in asset quality. That said, we believe that 1QFY26 will be an acid test for SHFL as well as other vehicle financiers (VFs) in terms of asset quality and collections.
- The FY26 outlook looks better for SHFL amid expectations of an economic revival, supported by forecasts of a favorable monsoon and higher government capex. Favorable monsoons can lead to a higher agricultural output and stronger rural cash flows, which in turn will drive credit demand across the vehicle finance and MSME segments. These factors would improve disbursement momentum and portfolio quality in FY26.
- We expect SHFL to deliver a PAT CAGR of ~19% over FY25-27E and RoA/RoE of 3.3%/17% in FY27E. SHFL remains our [top pick](#) in the NBFC space for CY26, driven by its diversified portfolio, strong execution and healthy return ratios. Since we highlighted SHFL as our top NBFC pick in Jan'25, the stock has delivered a robust ~22% return, outperforming the Nifty Financial Services Index, which has returned ~15% over the same period.
- SHFL's valuations have already re-rated from 1.4x to 1.9x 1-year forward P/BV over the last 12 months. The stock can see a further re-rating if the company is able to sustain the execution on its AUM growth, improve margins and exhibit stability in its asset quality. Reiterate our BUY rating on the stock with a TP of INR800, based on 2x FY27E P/BV.

### **Non-auto products to drive growth; branch expansion to boost reach**

- SHFL has effectively capitalized on cross-selling opportunities within its non-auto portfolio, creating a more favorable loan mix with an increased focus on MSME, gold loans and personal loans. The diversified composition of the company's loan book has mitigated its exposure to the cyclical nature of the CV business.
- SHFL will be converting its 750 rural centers into full-fledged branches. This expanded physical footprint will not only enhance reach in underserved markets but also enable greater cross-selling of non-auto products, supporting sustainable long-term growth. We estimate a CAGR of 16%/17% in disbursements/AUM over FY25-27E.

### **NIMs to get a boost from liquidity normalization and potential repo rate cuts**

- SHFL is well-positioned to benefit from a declining interest rate environment. The recent 50bp reduction in repo rates, coupled with the expectation of further rate cuts in CY26, should ease the company's borrowing costs. About 30% of the company's borrowings will mature in FY26 and will be repriced at lower rates, resulting in a likely reduction in its cost of borrowings. Additionally, the surplus liquidity on the balance sheet, which stood at ~INR310b as of Mar'25 (Dec'24: INR27b), is expected to normalize to INR18-19b over the next two quarters. This normalization of excess liquidity is anticipated to further support NIM expansion. We estimate NIMs (as % of total assets) to improve to 8.4%/8.6% in FY26/FY27 (vs. ~8.2% in FY25).
- A shift in the product mix to high-yielding non-CV products is marginally accretive to the blended yields. A large proportion of this improvement in yields is expected to be driven by a higher proportion of PL, gold loans and MSME loans in the AUM mix.

### **Asset quality to remain range-bound; credit cost has largely peaked out**

- SHFL has maintained resilient asset quality and stable credit costs over the past year compared to its peers, driven by strong underwriting and collection efforts. However, the company exhibited a deterioration in asset quality, higher net slippages and elevated credit costs in 4QFY25 due to factors discussed earlier in this report. That said, we believe credit costs have largely peaked and are likely to stabilize going forward, driven by improvement in economic activity.
- Notably, the company also undertook technical write-offs of ~INR23.5b in 4QFY25, which contributed to a sequential decline in GS3. Excluding technical write-offs, GS3 rose ~3bp QoQ. GS3 improved from ~6.9% in FY22 to ~4.6% as of FY25, while NS3 improved from ~3.3% to ~2.7% over the same period.
- Over the past year, the company's PL portfolio has remained resilient, exhibiting no deterioration, despite industry-wide stress in the unsecured retail credit segment. GNPA in the PL portfolio improved from ~5.2% as of Sep'23 to ~4.2% as of Mar'25. We expect a gradual improvement in GS3 to ~4.4% by FY27E (FY25: ~4.6%) and model credit costs (as a % of avg assets) to remain largely around 2.0-2.1% over FY26E-27E.

### Valuation and view

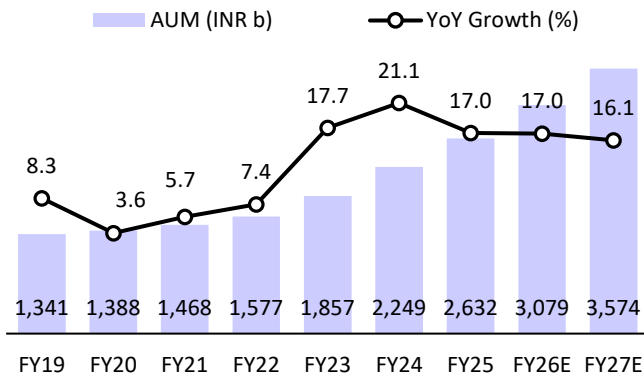
- SHFL is currently facing transitory headwinds in its asset quality (compounded by weakness in economic activity) and NIM compression (driven by surplus liquidity on the balance sheet). We expect these headwinds to gradually subside as over the last two years, the company's execution on AUM growth and asset quality has been far ahead of its peers.
- Notably, SHFL has yet to fully leverage its expanded distribution network. We anticipate that tangible benefits from this enhanced reach will continue to materialize for another 12-18 months, driving further improvement in its performance.
- Shriram Finance offers a combination of market leadership, strategic diversification into high-growth non-auto segments, potential for margin and operating efficiency improvements, and attractive valuations with strong earnings visibility. The current valuation of ~1.6x FY27E BVPS is attractive for a ~19% PAT CAGR over FY25-27E and RoA/RoE of ~3.3%/17% in FY27E. SHFL is our top pick in the NBFC sector with a TP of INR800 (based on 2x FY27E BVPS).

**Exhibit 1: Comparison of SHFL valuation matrix with peers CIFC and MMFS**

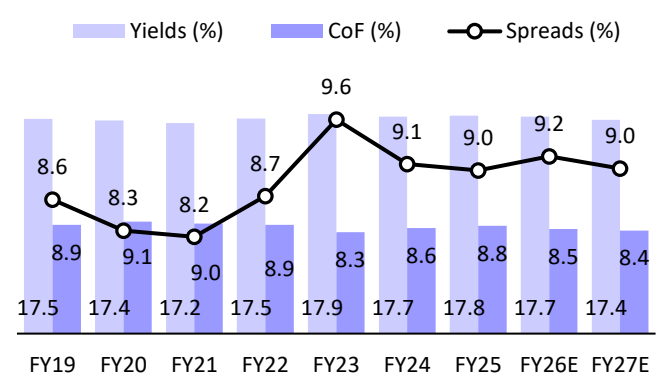
Val summary	Rating	CMP (INR)	TP (INR)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
<b>Shriram Finance</b>	<b>Buy</b>	<b>648</b>	<b>800</b>	<b>52.9</b>	<b>62.7</b>	<b>344</b>	<b>394</b>	<b>3.2</b>	<b>3.3</b>	<b>16.4</b>	<b>17.0</b>	<b>12.2</b>	<b>10.3</b>	<b>1.9</b>	<b>1.6</b>
Cholamandalam	Buy	1,566	1,770	65.2	83.6	361	442	2.5	2.7	20.5	20.8	24.0	18.7	4.3	3.5
MMFS	Buy	264	335	23.3	29.3	177	200	2.0	2.2	13.8	15.6	11.3	9.0	1.5	1.3

## Story in charts

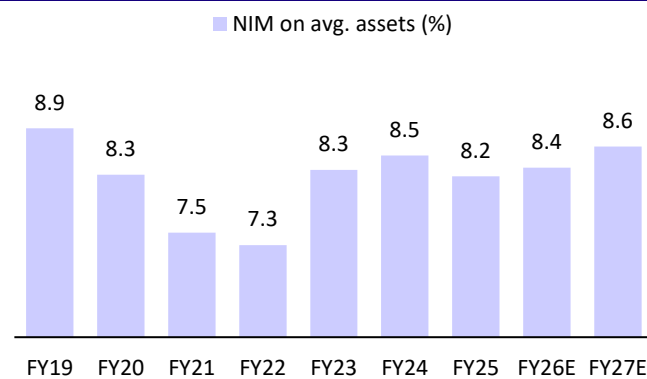
**Exhibit 2: Expect AUM CAGR of 17% over FY25-27**



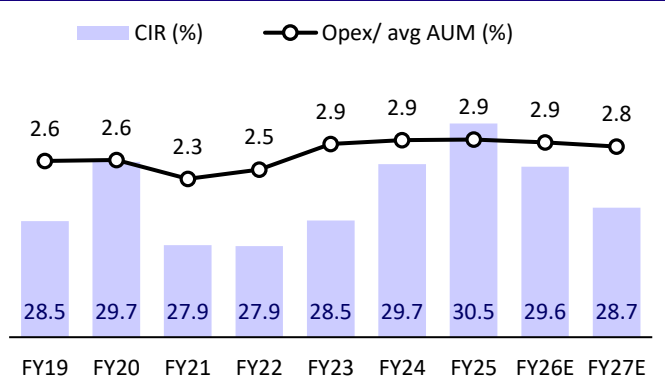
**Exhibit 3: Expect spreads to improve in FY26**



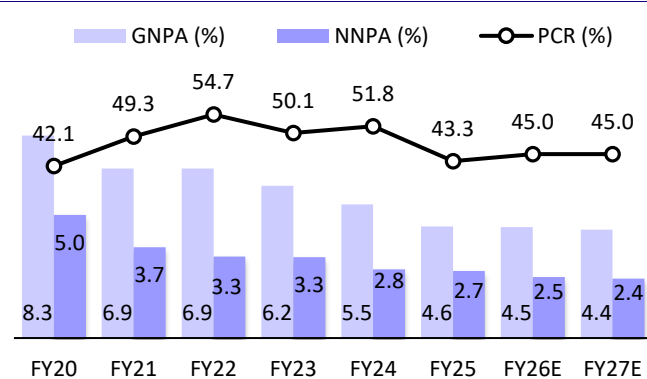
**Exhibit 4: NIMs to expand by ~15-20bp each in FY26E-FY27E**



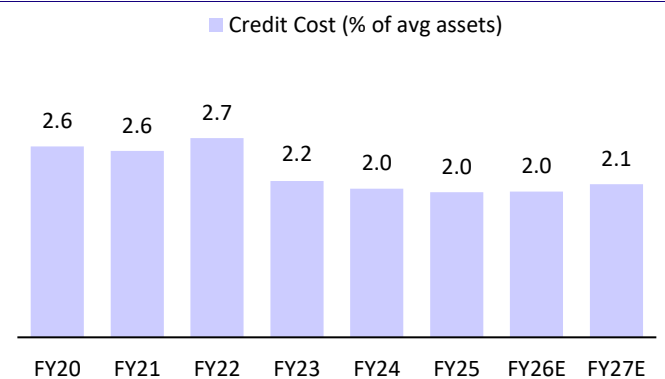
**Exhibit 5: Cost ratios to improve from FY27 onwards**



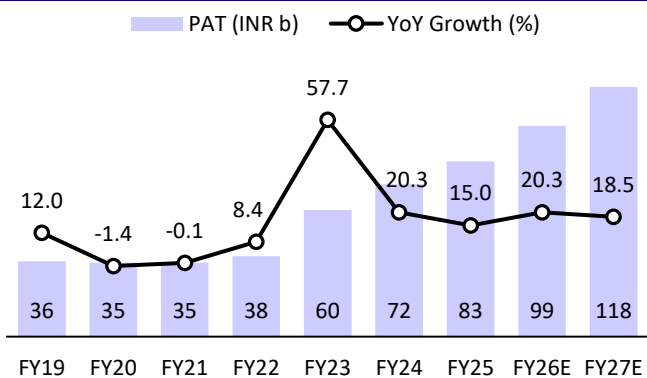
**Exhibit 6: Expect a gradual improvement in asset quality**



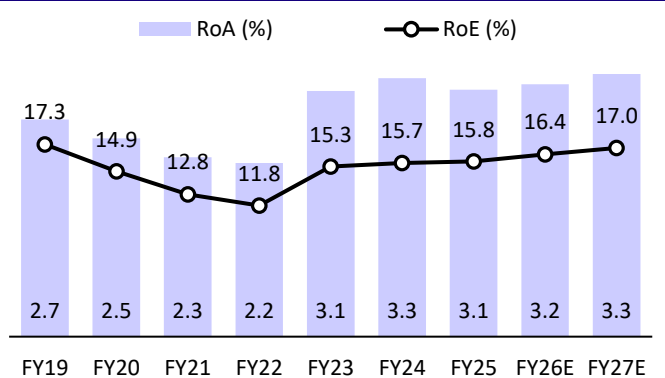
**Exhibit 7: Credit costs to remain around ~2%-2.1% in FY26/FY27**



**Exhibit 8: PAT CAGR of ~19% over FY25-FY27E**



**Exhibit 9: RoA/RoE of 3.3%/17% in FY27E**



Source: MOFSL, Company

Source: MOFSL, Company

### **Non-auto products to drive growth; branch expansion to boost reach**

- The merger has enabled SHFL to cross-sell non-auto products that were previously distributed through SCUF's branch network. Prior to the merger, gold and MSME loans were available at only 500-600 branches; post-merger, these offerings have been scaled up to 1,000 branches.
- SHFL has effectively capitalized on cross-selling opportunities within its non-auto portfolio, creating a more favorable loan mix with an increased focus on MSME and gold loans. The company targets to expand its gold loan offering by extending it to additional ~50-100 branches each quarter, with the eventual objective of offering gold loans from over 2,000 branches. As a result, the share of non-CV products in the AUM mix increased to ~26% as of FY25 from ~20% in FY22. We expect this proportion to further rise to ~28% by FY27E.
- Even if there is a down cycle in the auto sector in the future, we expect the non-auto products to emerge as a growth driver for the company. We model AUM CAGR of ~15% in CV and ~22% in non-CV product segments over FY25-27E. Overall, the company is set for robust AUM growth across its diverse product range and we expect total AUM CAGR of ~17% over FY25-27E.

### **Used Vehicles**

- While CV growth has slowed due to macroeconomic weakness and limited availability of used vehicles, SHFL expects a gradual recovery in the used CV market over the coming years, supported by an improved supply of pre-owned vehicles.
- In the recent period, growth was primarily driven by higher vehicle prices rather than volume expansion. However, with more vehicles entering the market, we expect the growth momentum to pick up going forward.
- Given its predominant presence in used CV/PV financing, we see lower risks to loan growth in SHFL compared to the rest of its VF peers that are exposed to new vehicles and might face the risk of slowdown in new vehicle sales.

### **Personal loans**

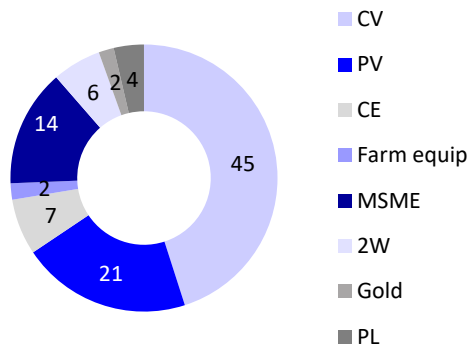
- Over the last one year, the company moderated the growth in its personal loan (PL) portfolio following regulatory concerns around unsecured lending and guidance from the RBI. However, with no material stress observed in its existing book, the company has resumed growth in this segment from 4QFY25 onward, and we expect the PL loan book growth to remain intact in FY26 as well.
- Notably, the company is expanding its PL portfolio primarily through cross-selling opportunities to existing 2W customers with a good repayment track record, supporting disciplined risk management and healthy portfolio quality.
- The rising share of PL in the portfolio will enhance blended yields and also support margin expansion over the coming quarters.

### **Gold loans**

- SHFL remains focused on increasing the share of gold loans within its overall portfolio. Over the past few months, the company has realigned its internal policies and operational processes to comply with the guidelines (given by RBI during its internal audits) on gold lending.

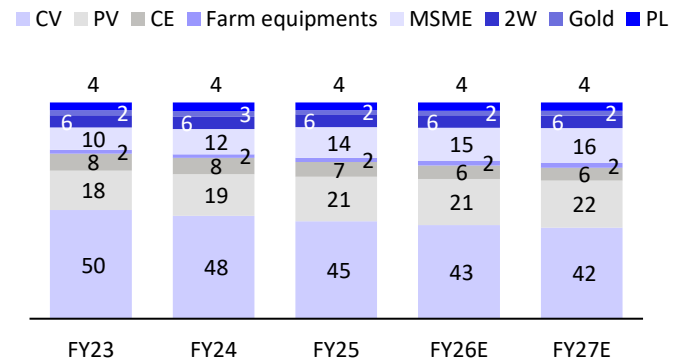
- While the share of gold loans has moderated over the past year largely due to higher repayments, the company intends to accelerate gold loan growth in the coming years. With improved branch coverage and renewed strategic focus, SHFL aims to leverage gold loans as a key lever for growth, particularly in semi-urban and rural markets.

**Exhibit 10: AUM mix as of Mar'25 (%)**



Source: MOFSL, Company

**Exhibit 11: CV will remain dominant in the mix (%)**

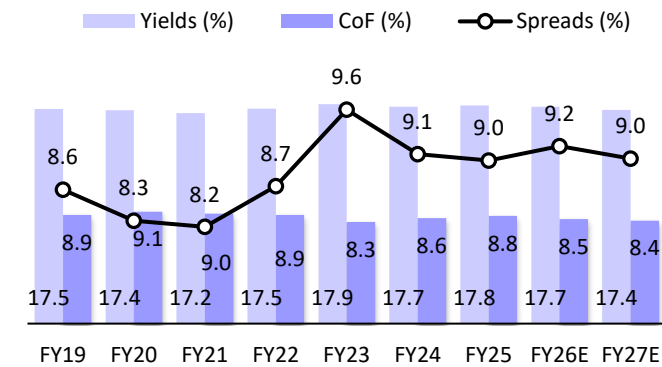


Source: MOFSL, Company

### NIMs to expand driven by normalization in liquidity and expected repo cuts

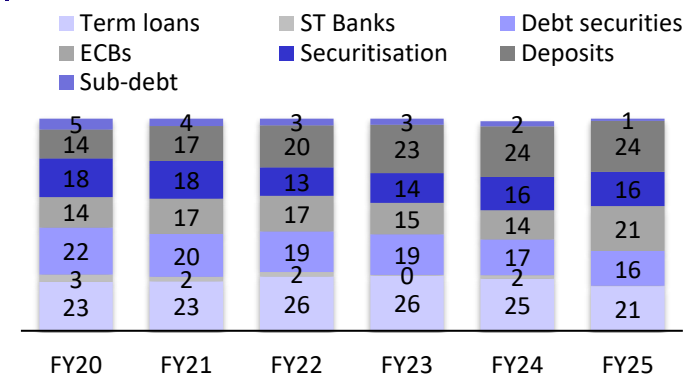
- SHFL is well-positioned to benefit from a declining interest rate environment. The recent 50bp reduction in repo rates, coupled with the expectation of further rate cuts in FY26, should ease the company's borrowing costs. About 30% of the company's borrowings will mature in FY26 and will be repriced at lower rates, resulting in a likely reduction in its cost of borrowings.
- SHFL's long-term debt (domestic) is rated AA+ by CRISIL and its long-term foreign borrowings are rated BB+/Stable by Fitch and S&P Ratings. Management is actively engaging with credit rating agencies for a credit rating upgrade, which could further reduce its cost of borrowings and improve NIMs.
- Additionally, the surplus liquidity on the balance sheet, which stood at ~INR310b as of Mar'25 (Dec'24: INR27b), is expected to normalize to INR18-19b over the next two quarters. This normalization of excess liquidity is anticipated to further support NIM expansion. The company typically maintains liquidity equivalent to three months of debt repayments on its balance sheet. However, the liquidity has temporarily increased to around six months following the recent rounds of ECB raise during Dec'24-Mar'25.
- We expect a ~40bp (cumulative) NIM expansion over the next two years, driven by a normalization in surplus liquidity, a favorable product mix and expansion in spreads from a cut in repo rates. We estimate NIM (as % of total assets) of 8.4%/8.6% in FY26/FY27 (vs. 8.2% in FY25).

**Exhibit 12: Expect spreads to improve in FY26**



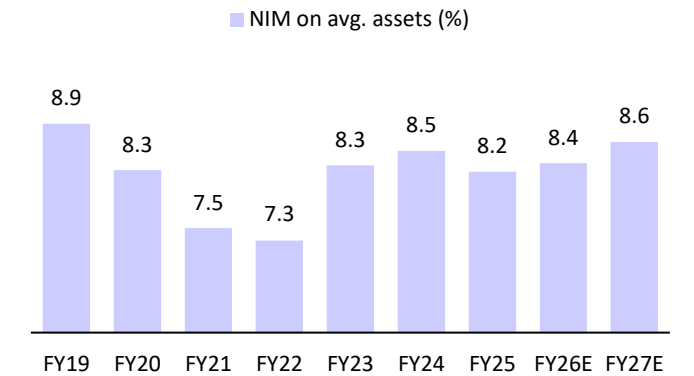
Source: MOFSL, Company

**Exhibit 14: Share of ECBs rose to ~21% as of Mar'25**



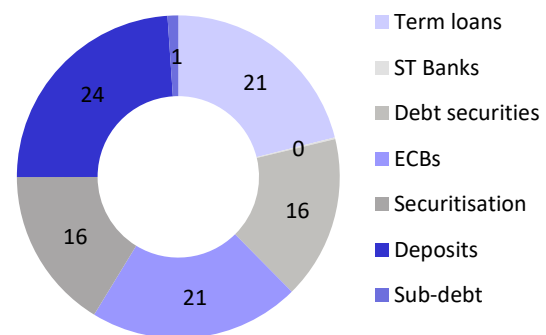
Source: MOFSL, Company

**Exhibit 13: NIM to expand by ~40bp over next two years (%)**



Source: MOFSL, Company

**Exhibit 15: Well diversified borrowing mix (%)**

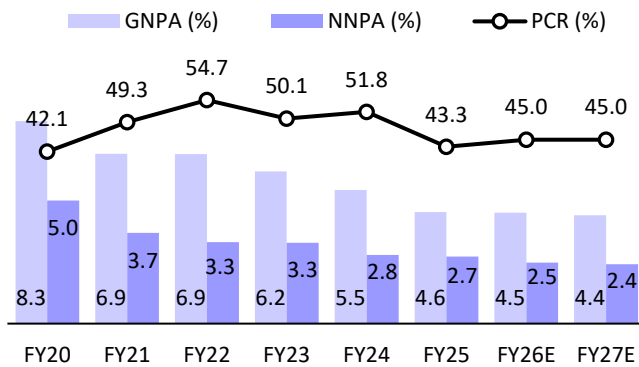


Source: MOFSL, Company, Note: Data as of Mar'25

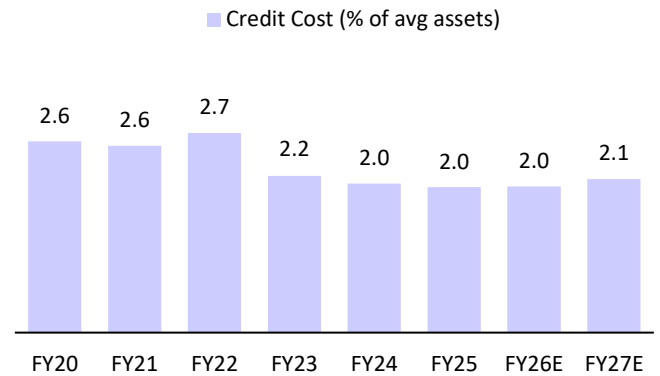
### Asset quality to remain range-bound; credit cost has largely peaked out

- SHFL has maintained resilient asset quality and stable credit costs over the past year compared to its peers, driven by strong underwriting and collection efforts. However, the company witnessed a deterioration in asset quality, higher net slippages and elevated credit costs in 4QFY25 due to factors discussed earlier in this report. That said, we believe credit costs have largely peaked and are likely to stabilize going forward, driven by improvement in economic activity.
- Notably, the company also undertook technical write-offs of ~INR23.5b in 4QFY25, which contributed to a sequential decline in GS3. Excl. technical write-offs, GS3 rose ~3bp QoQ. GS3 improved from ~6.9% in FY22 to ~4.6% as of FY25, while NS3 improved from ~3.3% to ~2.7% over the same period.
- Over the past year, the company's PL portfolio has remained resilient, exhibiting no deterioration, despite industry-wide stress in the unsecured retail credit segment. GNPA in the PL portfolio improved from ~5.2% as of Sep'23 to ~4.2% as of Mar'25. We expect a gradual improvement in GS3 to ~4.4% by FY27E (FY25: ~4.6%) and model credit costs (as a % of avg assets) to remain largely around 2.0-2.1% over FY26E-27E.

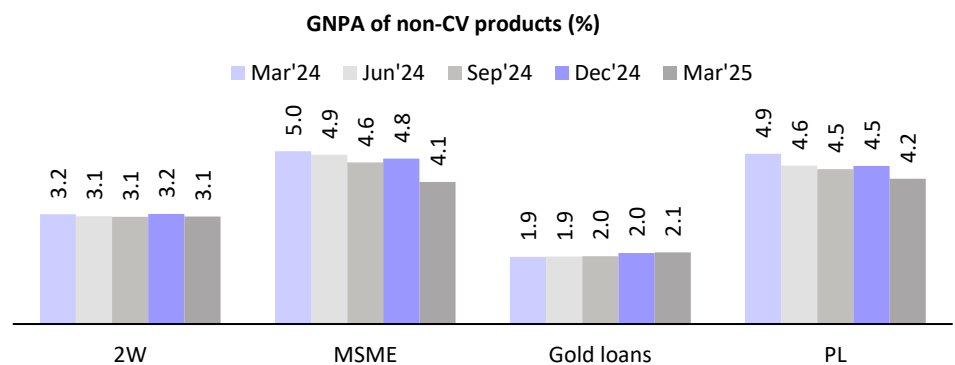


**Exhibit 16: Asset quality to remain range-bound**


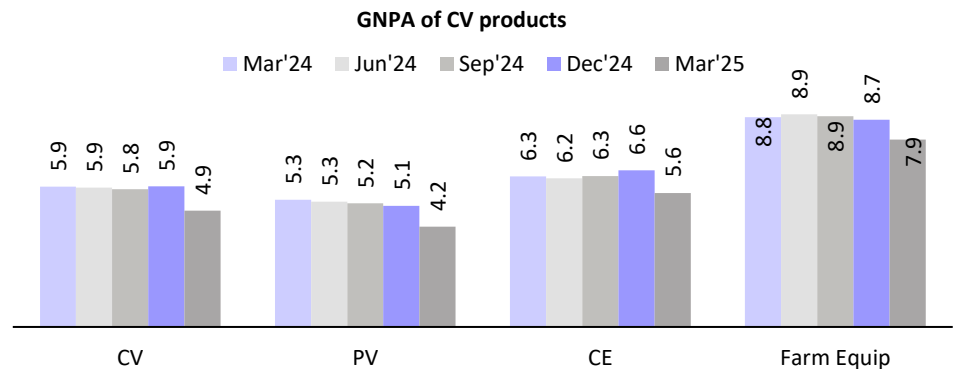
Source: MOFSL, Company

**Exhibit 17: Expect credit cost around ~2.0%-2.1% in FY26-27**


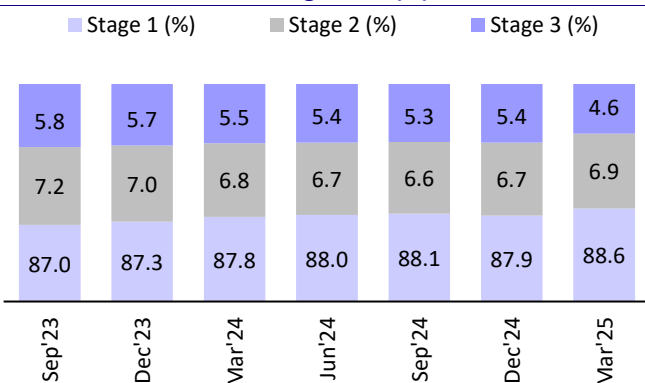
Source: MOFSL, Company

**Exhibit 18: GNPA in MSME and personal loans improved over the last five quarters**


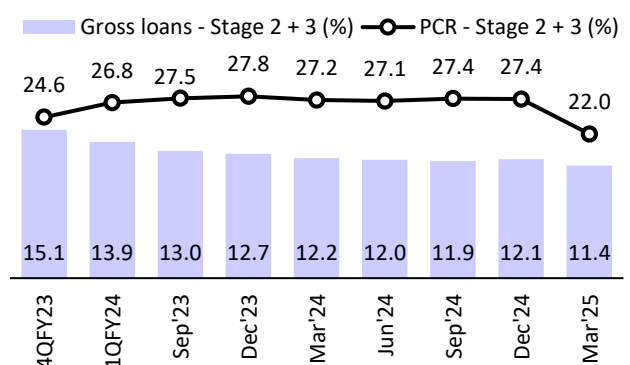
Note: Non-CV products for SHFL includes MSME, Gold Loans, PL and 2W

**Exhibit 19: GNPA in auto products gradually improved over the last five quarters**


Note: CV products for SHFL includes M&amp;HCVs, LCVs, SCVs, PV, CE and Tractors

**Exhibit 20: Gross Loans - Stage-wise (%)**


Source: MOFSL, Company; Note: Improvement in Stage 3 in the Mar'25 quarter was driven by technical write-offs of INR23.5b

**Exhibit 21: Gradual improvement seen in 30+dpd (%)**


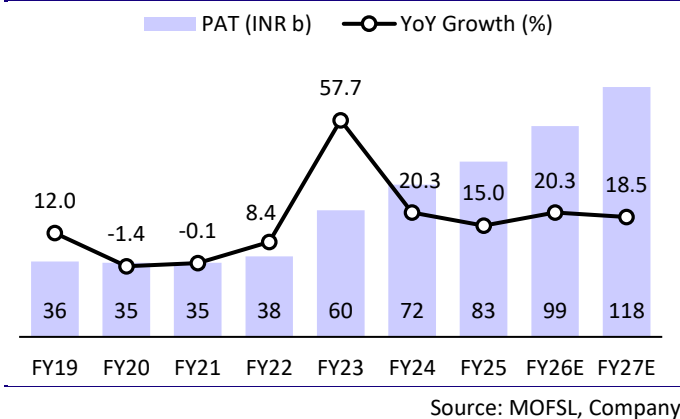
Source: MOFSL, Company



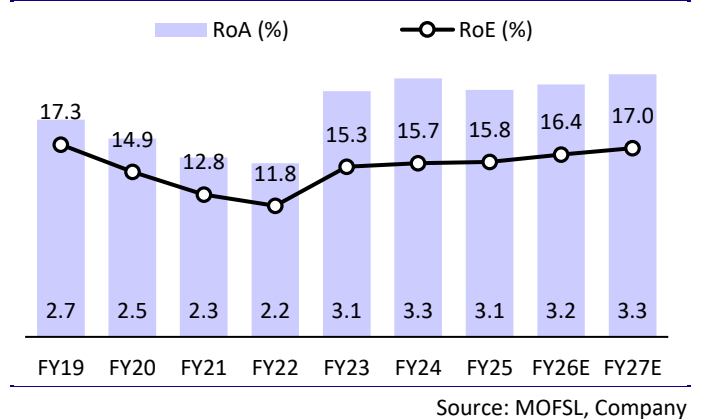
## Valuation and View

- SHFL is currently facing transitory headwinds in its asset quality (compounded by weakness in economic activity) and NIM compression (driven by surplus liquidity on the balance sheet). We expect these headwinds to gradually subside, as the company's execution, over the last two years, on both AUM growth as well as asset quality has been far ahead of its peers.
- Notably, SHFL has yet to fully leverage its expanded distribution network. We anticipate that tangible benefits from this enhanced reach will continue to materialize for another 12-18 months, driving further improvement in its performance.
- SHFL offers a combination of market leadership, strategic diversification into high-growth non-auto segments, potential for margin and operating efficiency improvements, and reasonable valuations with strong earnings visibility. The current valuation of ~1.6x FY27E BVPS is attractive for a ~19% PAT CAGR over FY25-27E and RoA/RoE of ~3.3%/17% in FY27E. SHFL is our top pick in the NBFC sector with a TP of INR800 (based on 2x FY27E BVPS).

**Exhibit 22: PAT CAGR of ~19% over FY25-FY27E...**



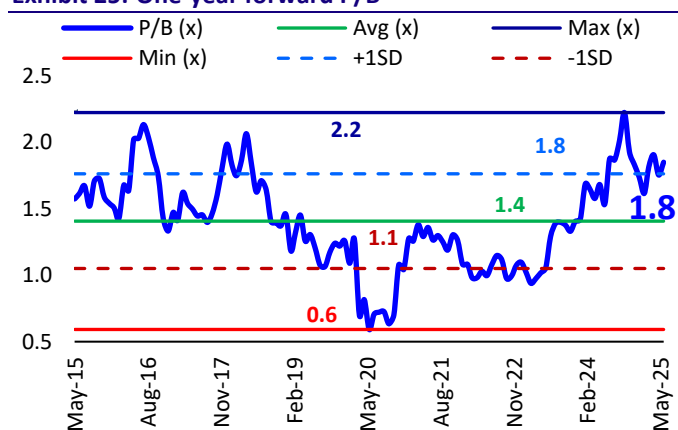
**Exhibit 23: ...leading to RoA/RoE of 3.3%/17% in FY27E**



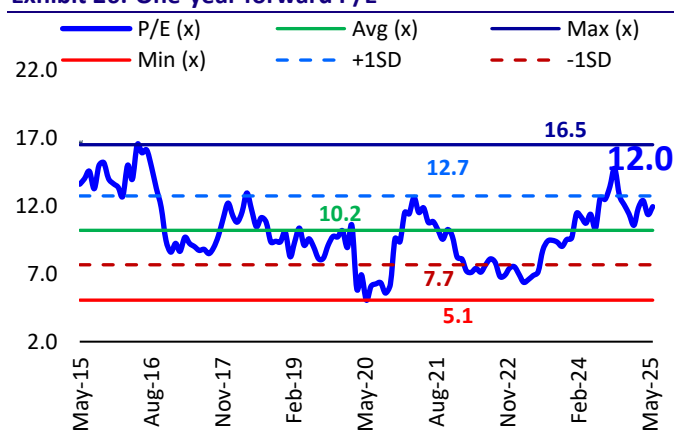
**Exhibit 24: Shriram Finance- Du-Pont analysis**

Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	16.2	15.7	14.7	14.4	14.8	15.2	15.2	15.1	15.3
Interest Expended	7.3	7.4	7.2	7.1	6.5	6.7	7.0	6.8	6.7
<b>Net Interest Income</b>	<b>8.9</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>8.4</b>	<b>8.6</b>
Non-interest income	0.2	0.4	0.3	0.5	0.6	0.6	0.6	0.6	0.5
<b>Net Total Income</b>	<b>9.1</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>8.9</b>	<b>9.2</b>
<b>Operating Expenses</b>	<b>2.6</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>2.6</b>	<b>2.6</b>
- Employee expenses	1.3	1.3	1.1	1.1	1.3	1.5	1.4	1.4	1.4
- Other expenses	1.3	1.2	1.1	1.0	1.2	1.3	1.3	1.3	1.2
<b>PPoP</b>	<b>6.5</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>6.3</b>	<b>6.5</b>
Provisions/write offs	2.4	2.6	2.6	2.7	2.2	2.0	2.0	2.0	2.1
<b>PBT</b>	<b>4.1</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>4.4</b>
Tax	1.3	0.9	0.8	0.7	1.1	1.1	1.0	1.1	1.1
<b>RoA</b>	<b>2.7</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>3.3</b>
Avg. Leverage	6.3	5.9	5.7	5.4	4.9	4.8	5.1	5.2	5.1
<b>RoE</b>	<b>17.3</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>16.4</b>	<b>17.0</b>

Source: MOFSL, Company

**Exhibit 25: One-year forward P/B**


Source: MOFSL, Company

**Exhibit 26: One-year forward P/E**


Source: MOFSL, Company

## Financials and valuations

Income Statement									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	2,10,407	2,19,646	2,26,997	2,48,605	2,86,074	3,35,997	4,03,076	4,73,192	5,45,491
Interest Expenses	94,975	1,04,105	1,11,881	1,22,668	1,25,458	1,48,061	1,84,546	2,12,152	2,37,682
<b>Net Interest Income</b>	<b>1,15,432</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>2,61,040</b>	<b>3,07,808</b>
Change (%)	12.7	0.1	-0.4	9.4	27.5	17.0	16.3	19.5	17.9
Other Operating Income	2,605	4,748	4,514	9,214	11,648	13,648	15,268	17,120	18,908
Other Income	258	235	237	227	307	332	251	263	276
<b>Total Income</b>	<b>1,18,295</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>2,78,423</b>	<b>3,26,992</b>
Change (%)	11.3	1.9	-0.5	12.9	27.5	17.0	15.9	19.0	17.4
<b>Total Operating Expenses</b>	<b>33,666</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>82,441</b>	<b>93,986</b>
Change (%)	12.6	6.3	-6.4	12.8	30.0	21.9	19.3	15.4	14.0
Employee Expenses	17,210	18,585	16,699	19,695	25,061	32,156	36,512	43,084	49,977
Depreciation	742	2,232	2,172	2,137	5,242	5,688	6,453	6,895	7,327
Other Operating Expenses	15,715	14,986	14,629	15,973	18,828	22,051	28,475	32,462	36,681
<b>Operating Profit</b>	<b>84,629</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>1,95,983</b>	<b>2,33,006</b>
Change (%)	10.8	0.1	1.9	13.0	26.5	15.1	14.5	20.5	18.9
<b>Total Provisions</b>	<b>31,643</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>62,825</b>	<b>75,154</b>
% Loan loss provisions to Avg loans ratio	2.5	2.7	2.8	3.1	2.4	2.2	2.3	2.4	2.4
<b>PBT</b>	<b>52,986</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>1,33,158</b>	<b>1,57,852</b>
Tax Provisions	17,457	12,913	11,692	12,164	22,056	24,932	26,776	33,689	39,937
Tax Rate (%)	32.9	26.9	25.1	24.3	26.9	25.7	24.5	25.3	25.3
<b>PAT</b>	<b>35,529</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>99,469</b>	<b>1,17,916</b>
Change (%)	12.0	-1.4	-0.1	8.4	57.7	20.3	15.0	20.3	18.5
<b>PAT (including exceptional gains)</b>	<b>35,529</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>99,469</b>	<b>1,17,916</b>

Balance Sheet									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	2,929	2,929	3,191	3,371	3,744	3,758	3,761	3,761	3,761
Reserves & Surplus	2,17,432	2,47,288	2,91,764	3,43,760	4,29,322	4,81,926	5,59,045	6,43,470	7,36,926
<b>Net Worth</b>	<b>2,20,361</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>6,47,231</b>	<b>7,40,687</b>
<b>Borrowings</b>	<b>11,04,851</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>26,32,282</b>	<b>30,26,822</b>
Change (%)	6.7	6.4	12.1	10.1	8.8	17.7	26.0	12.4	15.0
<b>Other liabilities</b>	<b>21,865</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>Total Liabilities</b>	<b>13,47,077</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>33,13,119</b>	<b>38,04,476</b>
<b>Cash and bank balances</b>	<b>52,657</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>1,82,577</b>	<b>1,87,561</b>
Investments	48,653	35,326	42,152	86,455	85,651	1,06,566	1,55,987	1,16,990	1,11,141
<b>Loans</b>	<b>12,37,406</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>28,92,874</b>	<b>33,69,934</b>
Change (%)	6.2	4.1	5.3	8.8	16.5	20.9	18.0	17.9	16.5
Fixed Assets	2,283	7,181	6,599	6,467	6,997	8,458	10,257	10,770	11,308
Deferred tax Assets	1,241	694	6,964	9,109	17,439	28,840	36,949	29,559	23,647
Goodwill					14,067	14,067	11,895	11,895	11,895
Other Assets	4,838	15,613	9,379	13,137	34,465	27,408	52,657	68,454	88,990
<b>Total Assets</b>	<b>13,47,077</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>33,13,119</b>	<b>38,04,476</b>

E: MOFSL Estimates

## Financials and valuations

AUM Mix (%)								(INR M)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>AUM</b>	<b>13,40,643</b>	<b>13,88,342</b>	<b>14,68,128</b>	<b>15,77,122</b>	<b>18,56,829</b>	<b>22,48,620</b>	<b>26,31,903</b>	<b>30,78,692</b>	<b>35,73,580</b>
Change (%)	8	4	6	7	18	21	17	17	16
<b>Disbursements</b>	<b>7,28,076</b>	<b>7,05,733</b>	<b>5,21,985</b>	<b>8,62,135</b>	<b>11,06,899</b>	<b>14,21,675</b>	<b>16,62,981</b>	<b>19,19,087</b>	<b>22,02,818</b>
Change (%)	-5	-3	-26	65	28	28	17	15	15

E: MOFSL Estimates

Ratios								(INR M)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Spreads Analysis (%)</b>									
Avg. Yield on Loans	17.5	17.4	17.2	17.5	17.9	17.7	17.8	17.7	17.4
Avg Cost of Funds	8.9	9.1	9.0	8.9	8.3	8.6	8.8	8.5	8.4
Spread of loans	8.6	8.3	8.2	8.7	9.6	9.1	9.0	9.2	9.0
NIM (on loans)	9.6	9.1	8.7	8.9	10.0	9.9	9.6	9.8	9.8
NIM (on AUM)	9.0	8.5	8.1	8.3	9.4	9.2	9.0	9.1	9.3
C/I ratio	28.5	29.7	27.9	27.9	28.5	29.7	30.5	29.6	28.7
<b>Profitability Ratios (%)</b>									
RoE	17.3	14.9	12.8	11.8	15.3	15.7	15.8	16.4	17.0
RoA	2.7	2.5	2.3	2.2	3.1	3.3	3.1	3.2	3.3
Int. Expended / Int.Earned	45.1	47.4	49.3	49.3	43.9	44.1	45.8	44.8	43.6
Other Inc. / Net Income	2.4	4.1	4.0	7.0	6.9	6.9	6.6	6.2	5.9
<b>Efficiency Ratios (%)</b>									
Op. Exps. / Net Income	28.5	29.7	27.9	27.9	28.5	29.7	30.5	29.6	28.7
Empl. Cost/Op. Exps.	51.1	51.9	49.8	52.1	51.0	53.7	51.1	52.3	53.2
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	1.1	1.1	1.0	1.0	1.1	1.1	1.0	1.1	1.1
Assets/Equity	6.1	5.8	5.6	5.2	4.7	4.9	5.2	5.1	5.1
<b>Asset quality (%)</b>									
GNPA	1,11,930	1,14,400	1,01,688	1,09,762	1,13,822	1,20,812	1,18,388	1,37,882	1,56,169
NNPA	65,678	66,256	51,523	49,731	56,749	58,244	67,145	75,835	85,893
GNPA ratio	8.5	8.3	6.9	6.9	6.2	5.5	4.6	4.5	4.4
NNPA ratio	5.2	5.0	3.7	3.3	3.3	2.8	2.7	2.5	2.4
PCR	41.3	42.1	49.3	54.7	50.1	51.8	43.3	45.0	45.0
Credit Costs (% of loans)	2.5	2.7	2.8	3.1	2.4	2.2	2.3	2.4	2.4

Valuations	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (INR)	150	171	185	206	231	258	299	344	394
BV Growth (%)	16	14	8	11	12	12	16	15	14
P/BV	<b>4.3</b>	<b>3.8</b>	<b>3.5</b>	<b>3.1</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
EPS (INR)	24	24	22	22	32	38	44	53	63
EPS Growth (%)	12.0	-1.4	-8.3	2.6	42.0	19.8	14.9	20.3	18.5
P/E	<b>26.7</b>	<b>27.1</b>	<b>29.6</b>	<b>28.8</b>	<b>20.3</b>	<b>16.9</b>	<b>14.7</b>	<b>12.3</b>	<b>10.3</b>
DPS	2.9	1.0	4.2	4.7	7.0	9.0	9.9	12	14
Dividend Yield (%)	0.4	0.2	0.7	0.7	1.1	1.4	1.5	1.9	2.2

E: MOFSL Estimates

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

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

#### Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.  
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.  
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.  
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.  
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.

8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

financial interest in the subject company

actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.

received compensation/other benefits from the subject company in the past 12 months

any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

acted as a manager or co-manager of public offering of securities of the subject company in past 12 months

be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)

received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.