

Rating: BUY | CMP: Rs1,004 | TP: Rs1,175

January 24, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

Rating	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY	BUY		
Target Price	1,175	1,150		
NII (Rs.)	3,07,336	3,61,076	3,09,082	3,64,222
% Chng.	(0.6)	(0.9)		
PPoP (Rs.)	2,37,637	2,83,398	2,31,577	2,75,167
% Chng.	2.6	3.0		
EPS (Rs.)	56.5	68.5	54.1	65.8
% Chng.	4.4	4.2		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	2,18,531	2,54,469	3,07,336	3,61,076
Growth (%)	16.3	16.4	20.8	17.5
Op. Profit (Rs m)	1,62,609	1,87,914	2,37,637	2,83,398
PAT (Rs m)	81,042	1,00,813	1,32,818	1,61,165
EPS (Rs.)	43.1	47.6	56.5	68.5
Gr. (%)	12.5	10.5	18.5	21.3
DPS (Rs.)	8.6	9.5	8.5	10.3
Yield (%)	0.9	0.9	0.8	1.0
Margin (%)	9.6	9.6	9.8	9.8
RoAE (%)	15.5	12.5	11.8	12.7
RoAA (%)	3.1	3.0	3.3	3.4
PE (x)	23.3	21.1	17.8	14.6
P/BV (x)	3.4	2.0	2.0	1.7
P/ABV (x)	3.8	2.2	2.2	1.9

Key Data

	SHMF.BO SHFL IN
52-W High / Low	Rs.1,026 / Rs.508
Sensex / Nifty	81,538 / 25,049
Market Cap	Rs.1,888bn / \$ 20,533m
Shares Outstanding	1,881m
3M Avg. Daily Value	Rs.7806.37m

Shareholding Pattern (%)

Promoter's	25.39
Foreign	52.62
Domestic Institution	16.45
Public & Others	5.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.8	53.4	89.4
Relative	9.9	55.7	77.8

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Strong growth outlook; asset quality resilient

Quick Pointers:

- Expect 18% AUM growth in FY27E led by strong uptick in CV/ PV
- NIM to improve further; asset quality resilient

Q3FY26 AUM grew 14.6% YoY to Rs 2,917.1bn, led by strong growth in the CV, PV and MSME portfolios. Commentary indicates a strong uptick in Small CV, LCV and PV post GST rationalization. We build in a CAGR of ~18% in AUM over FY25-28E led by higher volumes in VF and a strong ramp-up in the non-VF portfolio (MSME and Gold loans). NIM improved to 8.6% supported by a reduction in CoF; we expect NIM to improve by ~20bps in FY27E. Asset quality ratios were largely stable QoQ, with a broad improvement in Stage 2 across categories. We expect credit cost to improve by ~20bps by FY28E as SHFL expands to new CV. We slightly tweak our FY27/ FY28E estimates on favorable margin profile and controlled asset quality trend, resulting in RoA of 3.4% by FY28E. Maintain 'BUY' with a multiple of 2.3x on Dec'27 ABV and a TP of Rs1,175.

- Expect 18% AUM growth in FY27E:** 3QFY26 disbursements grew 14.2% YoY to Rs486.4bn. AUM grew at a healthy 14.6% YoY/ 3.7% QoQ to Rs2,917.1bn, led by the CV, PV and MSME segments (+15.0%, 21.8%, and 18.6% YoY, respectively). Growth in Construction Equipment was subdued (-20.4% YoY) due to low state-level/ local spending and cash-flow challenges. The split among CV/PV/CE/Farm Equipment/MSME/2W/Gold/Personal Loans stood at 45.6%/ 21.7%/ 4.9%/ 2.2%/ 14.1%/ 6.0%/ 1.9%/ 3.6%. Commentary indicates strong uptick in Small CV/ LCV and PV sales post GST reforms. Tractor sales saw robust growth (+37.5% YoY) driven by rural consumption, and the company expects the momentum to continue. It is targeting a higher growth run-rate of 18-20% (post equity infusion) as it deploys capital across VF, Gold and SME lending businesses. While the company is looking to expand in SME and Gold loans, it expects growth in VF to come from retaining existing customers with a better profile. We build in a CAGR of ~18% in AUM over FY25-28E led by higher volumes in new vehicles, replacement demand driving growth in used vehicles, and a strong ramp-up in the non-VF portfolio (MSME and Gold loans).

- NIM to improve by ~20bps in FY27E:** NII grew 17.6% YoY (9.1% QoQ) to Rs65.7bn. Reported NIM saw an expansion of 39bps QoQ to 8.6%, and the company has received credit rating upgrades from multiple agencies (ICRA, CRISIL, S&P, etc.). This, along with the recent repo rate cut, is likely to reduce cost of borrowing in subsequent quarters (incremental CoF at 7.73% in Q3). We build in a ~50bps improvement in average CoF as ~45% of its borrowings are likely to reprice, assuming SHFL passes on some of the benefit to customers. Factoring in a reduction in CoF, we expect NIM (calc.) to improve by ~20bps to 9.8% by FY27E. Cost/Income ratio increased to 29.7% (vs. 27.7% in Q2) due to the impact of the new labor codes (Rs2bn). We expect opex to be remain elevated (~27%) over the near term as the company invests in the franchise.

- **Asset quality trend resilient:** Headline asset quality ratio remained largely stable at GS3/NS3 at 4.54%/ 2.38% vs. 4.57%/ 2.49% in Q2FY26. Stage 2 stood at 6.8% vs. 6.9%, led by a 22-46bps improvement in the CV, PV, Farm Equipment and Gold portfolios. The company highlighted (1) a cautionary stance in the MSME segment due to US-tariff related uncertainties and (2) cash flow challenges in Construction Equipment. Stage 3 PCR stood at 48.8% (vs. 46.7% in Q2FY26), and the company has guided for ~20bps improvement in credit cost by FY28E (vs. 2.0% for Q3FY26). With a shift toward new CV customers, we expect credit cost to improve to 1.9%/ 1.8% in FY27/ FY28E.
- **Expect RoA to improve to 3.4%:** SHFL expects RoA to improve over the next 5 years (vs. 2.8% currently) driven by (i) significant improvement in CoF, and (ii) 10-20bps improvement in credit cost. While gearing is expected to reduce post the MUFG deal (to 2.6x vs. 4.3x currently), it will gradually improve as SHFL consumes capital, with RoE normalizing to 15%-16% levels by FY31E. We expect RoA to improve to 3.4% by FY28E and reiterate 'BUY' with a revised TP of Rs 1,175 (2.3x Dec'27 P/ABV).

Exhibit 1: Q3FY26 Result Overview (Rs mn)

Y/e March	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var	Q2FY26	QoQ gr. (%)	9MFY26	9MFY25	YoY gr. (%)
NII	65,740	55,896	17.6	67,641	(2.8)	60,258	9.1	183,723	162,875	12.8
Spread (%) (calc)	9.2	9.0	19bps	9.4	-18bps	8.7	47bps	13.2	13.6	-35bps
Other income	3,584	3,646	(1.7)	1,542	132.5	3,662	(2.1)	10,932	8,787	24.4
Net Revenue	69,325	59,542	16.4	69,183	0.2	63,919	8.5	194,654	171,662	13.4
Opex	22,620	18,692	21.0	20,259	11.7	19,486	16.1	61,591	52,406	17.5
PPOP	46,705	40,850	14.3	48,924	(4.5)	44,434	5.1	133,063	119,256	11.6
Provisions	13,103	13,258	(1.2)	13,439	(2.5)	13,333	(1.7)	39,293	37,484	4.8
PBT	33,602	27,592	21.8	35,485	(5.3)	31,100	8.0	93,770	81,773	14.7
Tax	8,385	8,462	(0.9)	9,049	(7.3)	8,028	4.4	23,924	22,124	8.1
ETR (%)	25.0	19.2		25.5		25.8		25.5	27.1	
PAT*	25,217	19,130	31.8	26,436	(4.6)	23,072	9.3	69,846	59,648	17.1
Business Metrics										
AUM	2,917,090	2,544,697	14.6	2,967,815	(1.7)	2,813,095	3.7	2,917,090	2,544,697	14.6
Borrowings	2,517,300	1,917,455	31.3	2,563,472	(1.8)	2,343,094	7.4	2,517,300	1,917,455	31.3
Asset Quality Metrics										
GNPA (%)	4.54	5.38	84bps	4.50	-4bps	4.57	3bps	4.54	5.38	84bps
NNPA (%)	2.38	2.68	30bps	2.70	32bps	2.49	11bps	2.38	2.68	30bps
PCR (%)	48.8	51.6	-287bps	40.00	877bps	46.7	207bps	48.8	51.6	-287bps

Source: Company, PL *Excluding exceptional gain of Rs16.6bn in Q3FY25

Exhibit 2: Change in Estimates

	Revised Estimates			Earlier Estimates			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII (Rs mn)	254,469	307,336	361,076	257,137	309,082	364,222	-1.0	-0.6	-0.9
PPOP (Rs Mn)	187,914	237,637	283,398	189,861	231,577	275,167	-1.0	2.6	3.0
PAT (Rs Mn)	100,813	132,818	161,165	101,297	127,225	154,662	-0.5	4.4	4.2
ABV (Rs)	417	467	529	417	464	523	0.0	0.5	1.0

Source: PL

Q3FY26 Concall Highlights

Growth

- Disbursements grew ~14% YoY to Rs486.4bn in Q3FY26 supported by steady demand across CV, PV and MSME segments; 10% of disbursements pertain to new vehicle purchases.
- LCV and SCV segments sustained the growth momentum aided by improving rural consumption and traction in industrial hubs; the management remains cautious on HCV growth.
- Incremental capital deployment is expected to remain focused on vehicle finance (CV & PV), while MSME growth is expected to re-accelerate to ~20% in the coming quarters led by secured lending and higher ticket sizes.
- Gold portfolio is likely to see volume-led growth supported by branch expansion. The management targets to scale the Farm Equipment segment to ~5% of total AUM.

Operating profitability

- Incremental borrowing rates stood at 7.7% vs. 8.1% QoQ. The company expects improvement of 30-40bps, while the cost of liabilities stood at 8.7% in Q3.
- The management reiterated its confidence in ~100bps reduction in CoF over the next 2 years, with partial pass-through of benefits to retain customers.
- Reported NIM is expected to remain stable at 8.5-8.9% supported by declining funding costs.
- Employee costs rose QoQ due to incentive payouts and labor code implementation leading to Rs2bn impact.

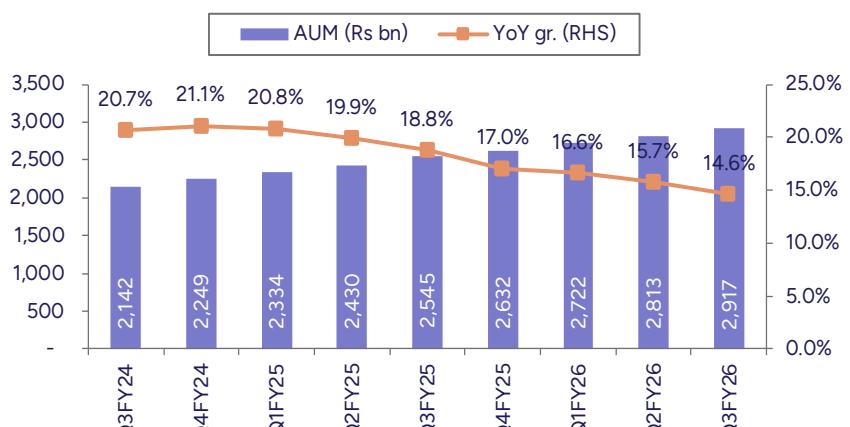
Asset quality

- GS3 ratio stood at 4.54% with Construction and Farm Equipment segments exhibiting higher GS3 ratios of 6.95% and 5.86%, respectively, while Gold Loan and 2W segments reported lower GS3 ratios of 2.21% and 3.34%, respectively.
- Reported credit cost stood at 1.62% in Q3FY26 with the management guiding for a gradual moderation ahead.
- Commentary suggests MSME segment stress has stabilized and there would be minimal slippages from current Stage 2 to 3 in Q4.
- The management indicated no over-capacity of CV across any segment, and no portfolio shows early stress indicators in asset quality.

Others highlights

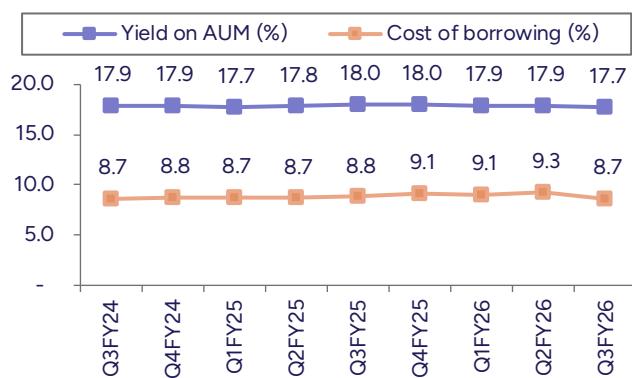
- Capital adequacy remained strong at 20.3%. Tier-1 capital stood at 19.7%.
- Branch network stood at 3,225 with 29 new branches added YoY.

Exhibit 3: AUM increases ~15% YoY on strong growth in CV, PV and MSME



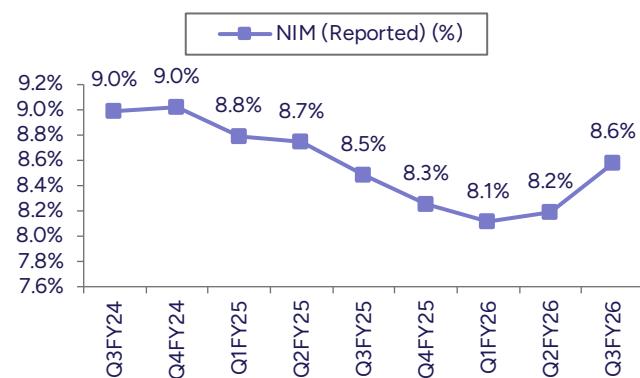
Source: Company, PL

Exhibit 4: Cost of borrowing improves QoQ...



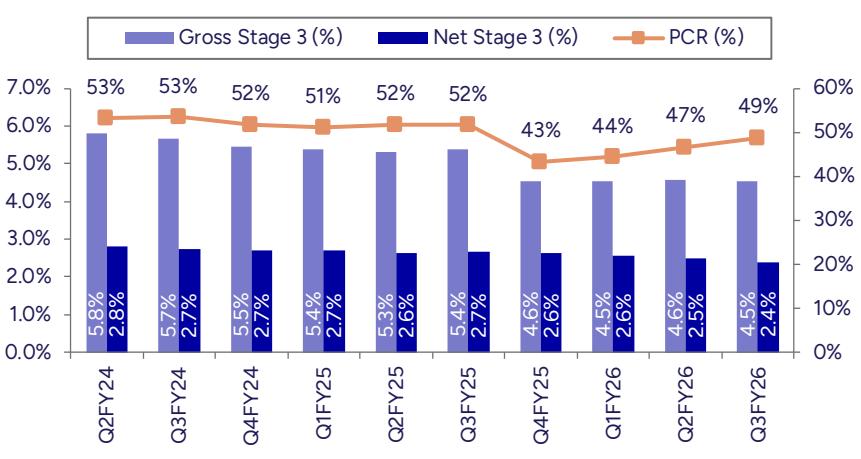
Source: Company, PL

Exhibit 5: ...leading to uptick in reported NIM by ~39bps QoQ



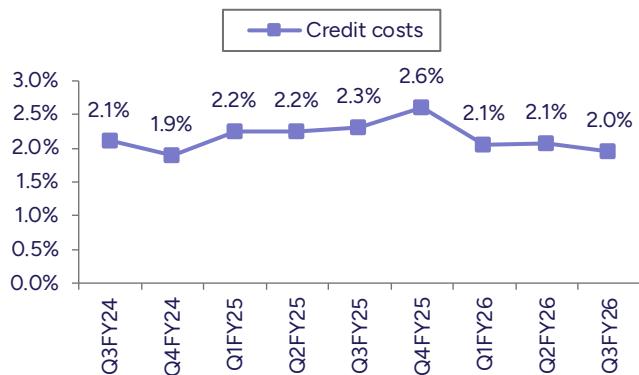
Source: Company, PL

Exhibit 6: Asset quality trend remains stable QoQ



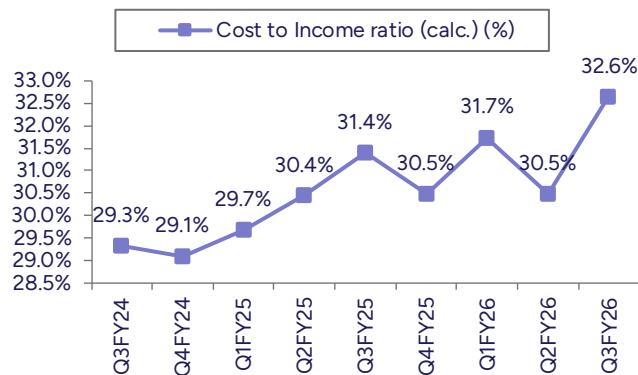
Source: Company, PL

Exhibit 7: Credit cost stable during the quarter



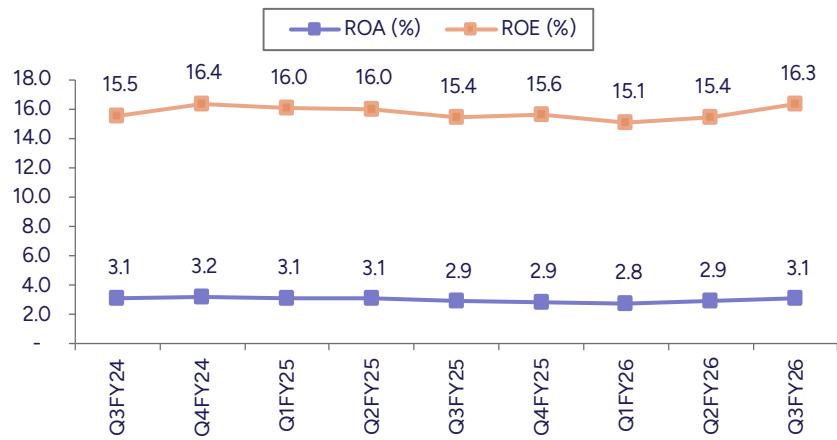
Source: Company, PL

Exhibit 8: Opex elevated due to impact of new labor codes



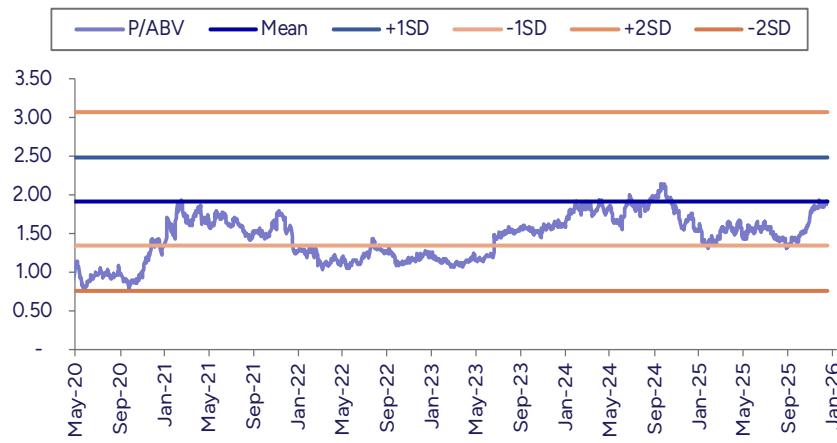
Source: Company, PL

Exhibit 9: RoA/RoE at 3.1% / 16.3% in Q3FY26



Source: Company, PL

Exhibit 10: One-year forward P/ABV of SHFL trades at 2.2x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	4,03,076	4,71,196	5,52,688	6,51,189
Interest Expenses	1,84,546	2,16,727	2,45,352	2,90,113
Net interest income	2,18,531	2,54,469	3,07,336	3,61,076
Growth(%)	16.3	16.4	20.8	17.5
Non-interest income	15,494	15,037	16,260	18,187
Growth(%)	10.8	(3.0)	8.1	11.8
Net operating income	2,34,025	2,69,505	3,23,596	3,79,263
Expenditures				
Employees	36,512	41,227	42,202	48,835
Other Expenses	28,451	33,266	35,949	38,440
Depreciation	6,453	7,099	7,808	8,589
Operating Expenses	71,416	81,591	85,959	95,865
PPP	1,62,609	1,87,914	2,37,637	2,83,398
Growth(%)	14.5	15.6	26.5	19.3
Provisions	53,117	52,578	59,357	67,069
Profit Before Tax	1,09,493	1,35,336	1,78,279	2,16,329
Tax	28,450	34,523	45,461	55,164
Effective Tax rate(%)	26.0	25.5	25.5	25.5
PAT	81,042	1,00,813	1,32,818	1,61,165
Growth(%)	12.7	24.4	31.7	21.3

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Int. Inc. / Operating Inc.	1,07,895	1,11,732	1,15,506	1,18,331
Income from securitization	-	-	-	-
Interest Expenses	52,240	54,008	55,248	52,591
Net Interest Income	55,655	57,725	60,258	65,740
Growth (%)	9.4	10.3	10.3	17.6
Non-Interest Income	6,707	3,685	3,662	3,584
Net Operating Income	62,363	61,410	63,919	69,325
Growth (%)	13.2	12.0	11.5	16.4
Operating expenditure	19,010	19,486	19,486	22,620
PPP	43,353	41,924	44,434	46,705
Growth (%)	-	-	-	-
Provision	15,633	12,857	13,333	13,103
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	27,720	29,067	31,100	33,602
Tax	6,326	7,510	8,028	8,385
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	22.8	25.8	25.8	25.0
PAT	21,394	21,557	23,072	25,217
Growth	10	9	11	32
AUM	26,31,903	27,22,490	28,13,095	29,17,090
YoY growth (%)	17.0	16.6	15.7	14.6
Borrowing	23,41,973	24,29,113	23,43,094	25,17,300
YoY growth (%)	26.0	26.7	12.7	12.7

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Source of funds				
Equity	3,761	4,704	4,704	4,704
Reserves and Surplus	5,59,045	10,51,700	11,84,518	13,45,683
Networth	5,62,806	10,56,404	11,89,222	13,50,387
Growth (%)	15.9	87.7	12.6	13.6
Loan funds	23,41,973	26,47,964	31,36,580	38,24,814
Growth (%)	26.0	13.1	18.5	21.9
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	9,647	19,829	20,634	21,472
Other Liabilities	20,904	32,618	33,943	35,321
Total Liabilities	29,35,329	37,56,815	43,80,378	52,31,993
Application of funds				
Net fixed assets	29,141	29,141	29,141	29,141
Advances	24,53,928	28,59,801	33,87,506	40,16,054
Growth (%)	18.0	16.5	18.5	18.6
Investments	1,55,987	1,72,118	1,94,468	2,37,138
Current Assets	2,13,657	5,87,191	6,55,108	8,29,685
Net current assets	2,04,011	5,67,362	6,34,474	8,08,214
Other Assets	82,616	1,08,565	1,14,156	1,19,974
Total Assets	29,35,329	37,56,815	43,80,378	52,31,993
Growth (%)	25.4	28.0	16.6	19.4
Business Mix				
AUM	26,31,903	30,62,945	36,28,135	43,01,332
Growth (%)	17.0	16.4	18.5	18.6
On Balance Sheet	25,99,159	30,07,812	35,55,572	42,15,305
% of AUM	98.76	98.20	98.00	98.00
Off Balance Sheet	32,744	55,133	72,563	86,027
% of AUM	1.24	1.80	2.00	2.00

Profitability & Capital (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	9.6	9.6	9.8	9.8
ROAA	3.1	3.0	3.3	3.4
ROAE	15.5	12.5	11.8	12.7

Source: Company Data, PL Research

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	1,004	1,004	1,004	1,004
EPS (Rs)	43.1	47.6	56.5	68.5
Book value (Rs)	299.4	499.2	505.6	574.1
Adj. BV(Rs)	263.7	466.7	466.8	528.6
P/E(x)	23.3	21.1	17.8	14.6
P/BV(x)	3.4	2.0	2.0	1.7
P/ABV(x)	3.8	2.2	2.2	1.9
DPS (Rs)	8.6	9.5	8.5	10.3
Dividend Payout Ratio(%)	20.0	22.2	15.0	15.0
Dividend Yield(%)	0.9	0.9	0.8	1.0

Asset Quality

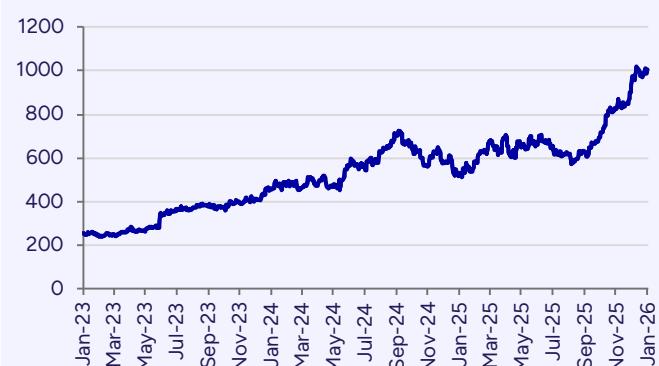
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	1,18,388	1,27,261	1,47,357	1,72,690
Net NPA(Rs m)	67,145	76,357	91,361	1,07,068
Gross NPAs to Gross Adv.(%)	4.6	4.5	4.4	4.3
Net NPAs to net Adv.(%)	2.6	2.7	2.7	2.7
NPA coverage(%)	43.3	40.0	38.0	38.0

Du-Pont as a % of AUM

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	8.2	7.6	7.6	7.5
NII INCL. Securitization	8.2	7.6	7.6	7.5
Total income	8.8	8.1	8.0	7.9
Operating Expenses	2.7	2.4	2.1	2.0
PPOP	6.1	5.6	5.8	5.9
Total Provisions	2.0	1.6	1.5	1.4
RoAA	3.1	3.0	3.3	3.4
Avg. Assets/Avg. net worth	5.2	3.6	3.7	3.9
RoAE	15.5	12.5	11.8	12.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	BUY	1,150	996
2	30-Dec-25	BUY	1,150	956
3	19-Dec-25	BUY	1,060	902
4	01-Nov-25	BUY	875	749
5	07-Oct-25	Hold	685	667
6	27-Jul-25	Hold	650	616
7	08-Jul-25	Hold	685	671
8	28-Apr-25	Hold	685	655

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	BUY	1,700	1,470
2	Bajaj Finance	BUY	1,125	969
3	Can Fin Homes	Accumulate	1,015	938
4	Cholamandalam Investment and Finance Company	Accumulate	1,850	1,787
5	HDFC Life Insurance Company	BUY	900	761
6	ICICI Prudential Life Insurance Company	Accumulate	725	684
7	LIC Housing Finance	BUY	645	538
8	Mahindra & Mahindra Financial Services	Accumulate	375	360
9	Max Financial Services	BUY	1,925	1,672
10	SBI Life Insurance Company	Hold	1,950	2,067
11	Shriram Finance	BUY	1,150	996
12	Sundaram Finance	Hold	5,000	5,288

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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