

December 30, 2025

## Event Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,150		1,060	
NII (Rs.)	3,09,082	3,64,222	3,02,769	3,50,194
% Chng.	2.1	4.0		
PPoP (Rs.)	2,31,577	2,75,167	2,24,902	2,60,455
% Chng.	3.0	5.6		
EPS (Rs.)	54.1	65.8	52.1	61.2
% Chng.	3.7	7.4		

### Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	2,18,531	2,57,137	3,09,082	3,64,222
Growth (%)	16.3	17.7	20.2	17.8
Op. Profit (Rs m)	1,62,609	1,89,861	2,31,577	2,75,167
PAT (Rs m)	81,042	1,01,297	1,27,225	1,54,662
EPS (Rs.)	43.1	47.9	54.1	65.8
Gr. (%)	12.5	11.0	13.0	21.6
DPS (Rs.)	8.6	9.6	8.1	9.9
Yield (%)	0.9	1.0	0.8	1.0
Margin (%)	9.0	9.0	9.2	9.1
RoAE (%)	15.5	12.5	11.4	12.3
RoAA (%)	3.1	3.0	3.1	3.2
PE (x)	22.2	20.0	17.7	14.5
P/BV (x)	3.2	1.9	1.9	1.7
P/ABV (x)	3.6	2.0	2.1	1.8

### Key Data SHMF.BO | SHFL IN

52-W High / Low	Rs.984 / Rs.493
Sensex / Nifty	84,696 / 25,942
Market Cap	Rs.1,798bn/ \$ 19,979m
Shares Outstanding	1,881m
3M Avg. Daily Value	Rs.6941.48m

### 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	12.2	36.5	64.8
Relative	13.5	35.5	53.1

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## Multiple synergies to accrue with MUFG deal

SHFL is guiding for a higher growth run-rate of 18%-20% as it deploys capital across Vehicle finance, Gold and SME lending business. While it 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 a CAGR of ~18% over FY25-28E driven by growth across segments. SHFL has already received a credit rating upgrade from CARE Ratings to AAA Stable which is likely to result in lower CoF (~45% of borrowings to reprice). We build a ~50 bps improvement in average CoF, translating into a ~20 bps improvement in (calc) NIM to 9.8% by FY28E. We increase our FY27/ FY28E estimates by 4%/ 7% on strong AUM growth, favorable margin profile and controlled credit cost, resulting in RoA of 3.2% by FY28E. We tweak our multiple to 2.3x (vs. 2.2x earlier) and roll-forward to Dec-27 P/ABV. Reiterate BUY with a revised TP of Rs 1,150.

- **Guiding for AUM growth of 18-20%:** With access to long-term growth capital (recent infusion of Rs 396.2 bn by MUFG Bank), SHFL is guiding for a higher growth of 18-20% vs. the current run-rate of 15% -16%. It expects to deploy this capital across multiple segments (Vehicle Finance, Gold, SME lending) and will shore up presence across north, central and eastern regions. Within VF, it expects growth to come from retaining existing customers (who upgrade to higher ticket/ new vehicles). It is guiding for a higher growth run-rate of 18%- 20% over the next 3 years with the mix of wheels and non-wheels at ~80%: 20%. We build a CAGR of ~18% over FY25-28E driven by expansion across VF, Gold and SME lending.
- **CoF to improve by ~100 bps:** The infusion by MUFG Bank is likely to strengthen Shriram Finance's capital base- CRAR to see a boost of ~15% (Exhibit 2). SHFL has already received a credit rating upgrade from CARE Ratings to AAA Stable (vs. AA+ Stable earlier) which is likely to result in lower CoF (incremental CoF of 8% as of Q2FY26). This coupled with the recent repo-rate cut of 25 bps is expected to reduce CoF by ~100 bps over the next 2 years. We build a ~50 bps improvement in average CoF as ~45% of its borrowings comprise of NCDs and retail deposits and are likely to reprice, assuming SHFL passes on some of the benefit to customers. We expect NIM (calc) to improve by ~20 bps to 9.8% by FY28E.
- **Multiple synergies to accrue:** With MUFG Bank on board as a long-term strategic partner, SHFL highlighted multiple benefits such as support across capital markets / treasury functions. Moreover, MUFG Bank has investments across Asian countries which could help SHFL in developing a robust digital lending platform.
- **Expect RoA to improve to ~3.5%:** SHFL expects RoA to improve to 3.5% over the next 5 years (vs. 2.8% currently) driven by (i) significant improvement in CoF (ii) 10-20 bps improvement in credit cost. While gearing is expected to reduce post the 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. While RoE is likely to be subdued at ~12% in FY28E, we expect RoA to improve to 3.2% by FY28E. We slightly tweak our multiple to 2.3x (vs. 2.2x earlier) and roll-forward to Dec-27 P/ABV. Reiterate BUY with a revised TP of Rs 1,150.

**Exhibit 1: Change in Estimates**

	Revised Estimates			Earlier Estimates			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII (Rs mn)	2,57,137	3,09,082	3,64,222	2,56,810	3,02,769	3,50,194	0.1	2.1	4.0
PPOP (Rs Mn)	1,89,861	2,31,577	2,75,167	1,89,528	2,24,902	2,60,455	0.2	3.0	5.6
PAT (Rs Mn)	1,01,297	1,27,225	1,54,662	1,00,350	1,22,637	1,43,968	0.9	3.7	7.4
ABV (Rs)	417	464	523	416	463	519	0.1	0.3	0.8

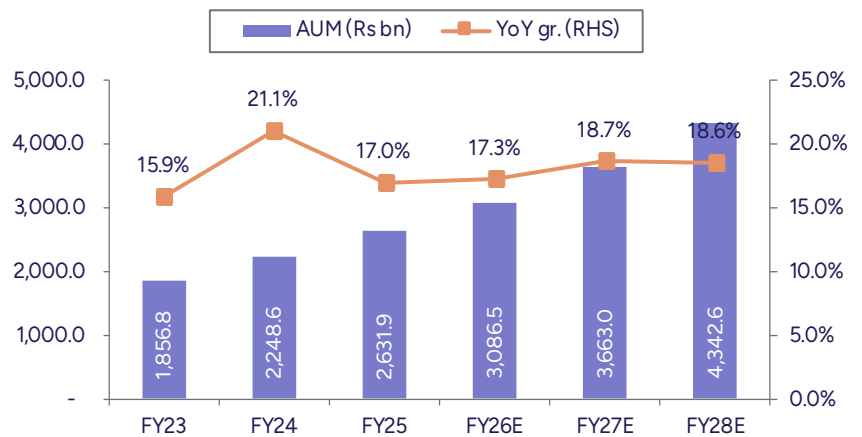
Source: PL

**Exhibit 2: CRAR to get a boost of ~15%**

	FY25	Sep-25	Post equity infusion
Tier 1 ratio	20.0%	20.0%	35.8%
Risk Weighted Assets	23,53,040	25,09,275	25,09,275
Tier 1	4,71,260	5,01,353	8,97,533
Equity	5,64,700	6,04,040	
Tier 1 as a % of equity	83%	83%	

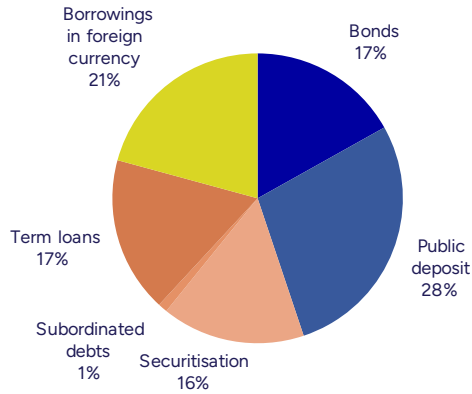
Source: Company, PL

**Exhibit 3: Expect 18% AUM CAGR over FY25-28E**



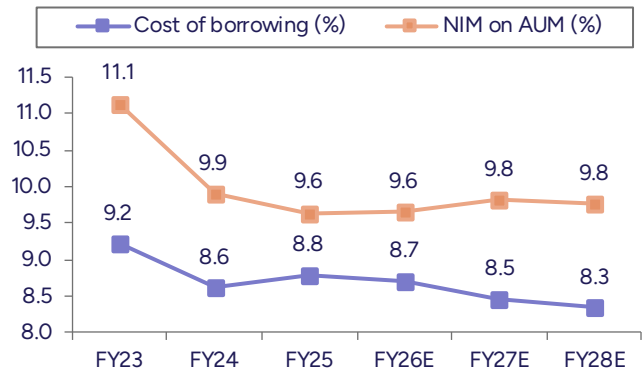
Source: Company, PL

**Exhibit 4: ~45% of borrowings to re-price (as of Q2FY26)**



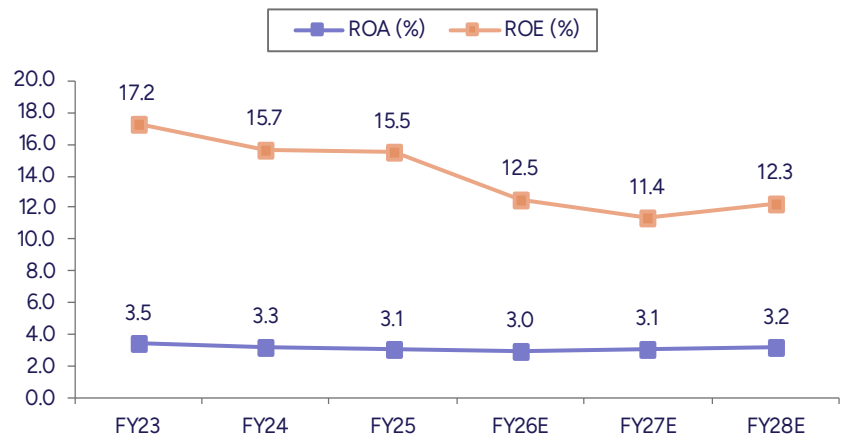
Source: Company, PL

**Exhibit 5: Expect NIM (calc) to improve by 20 bps by FY28E**



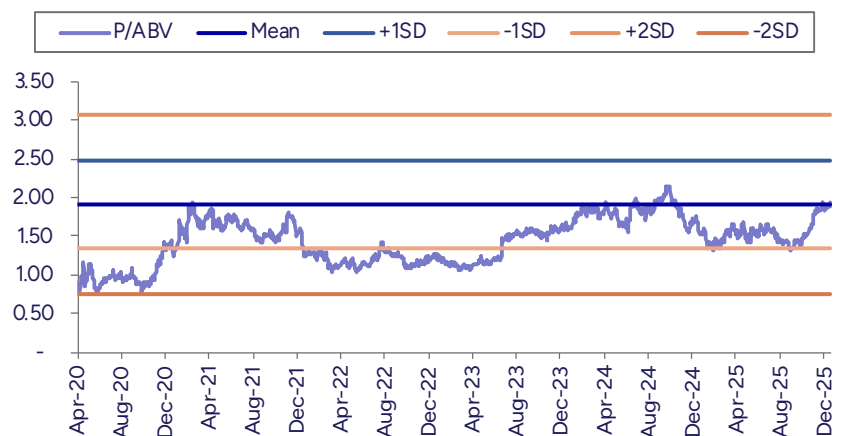
Source: Company, PL

**Exhibit 6: While RoE is subdued, expect RoA to improve to 3.2% by FY28E**



Source: Company, PL

**Exhibit 7: One-year forward P/ABV of SHFL trades at 2.1x**



Source: Company, PL


**Income Statement (Rs. m)**

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	4,03,076	4,75,314	5,55,824	6,56,863
Interest Expenses	1,84,546	2,18,178	2,46,742	2,92,641
<b>Net interest income</b>	<b>2,18,531</b>	<b>2,57,137</b>	<b>3,09,082</b>	<b>3,64,222</b>
Growth(%)	16.3	17.7	20.2	17.8
Non-interest income	15,494	13,025	14,111	15,696
Growth(%)	10.8	(15.9)	8.3	11.2
Net operating income	2,34,025	2,70,162	3,23,193	3,79,919
<b>Expenditures</b>				
Employees	36,512	39,423	44,425	50,231
Other Expenses	34,904	40,878	47,191	54,520
Depreciation	-	-	-	-
Operating Expenses	71,416	80,301	91,616	1,04,752
<b>PPP</b>	<b>1,62,609</b>	<b>1,89,861</b>	<b>2,31,577</b>	<b>2,75,167</b>
Growth(%)	14.5	16.8	22.0	18.8
Provisions	53,117	53,629	60,805	67,567
<b>Profit Before Tax</b>	<b>1,09,493</b>	<b>1,36,232</b>	<b>1,70,772</b>	<b>2,07,600</b>
Tax	28,450	34,935	43,547	52,938
Effective Tax rate(%)	26.0	25.6	25.5	25.5
<b>PAT</b>	<b>81,042</b>	<b>1,01,297</b>	<b>1,27,225</b>	<b>1,54,662</b>
Growth(%)	12.7	25.0	25.6	21.6

**Balance Sheet (Rs. m)**

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Source of funds</b>				
Equity	3,761	4,704	4,704	4,704
Reserves and Surplus	5,59,045	10,52,184	11,79,409	13,34,071
Networth	5,62,806	10,56,888	11,84,113	13,38,775
Growth (%)	15.9	87.8	12.0	13.1
Loan funds	23,41,973	26,66,011	31,63,910	38,58,141
Growth (%)	26.0	13.8	18.7	21.9
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	9,647	19,829	20,634	21,472
Other Liabilities	20,904	23,770	24,736	25,740
<b>Total Liabilities</b>	<b>29,35,329</b>	<b>37,66,499</b>	<b>43,93,393</b>	<b>52,44,128</b>
<b>Application of funds</b>				
Net fixed assets	-	-	-	-
Advances	24,53,928	28,79,292	34,17,023	40,51,048
Growth (%)	18.0	17.3	18.7	18.6
Investments	1,55,987	1,73,291	1,96,162	2,39,205
Current Assets	2,13,657	5,79,945	6,40,797	8,08,804
<b>Net current assets</b>	<b>2,04,011</b>	<b>5,60,116</b>	<b>6,20,163</b>	<b>7,87,332</b>
Other Assets	1,11,757	1,33,971	1,39,411	1,45,071
<b>Total Assets</b>	<b>29,35,329</b>	<b>37,66,499</b>	<b>43,93,393</b>	<b>52,44,128</b>
Growth (%)	23.7	28.3	16.6	19.4
<b>Business Mix</b>				
AUM	26,31,903	30,86,527	36,62,962	43,42,620
Growth (%)	17.0	17.3	18.7	18.6
On Balance Sheet	25,99,159	30,30,970	35,89,702	42,55,768
% of AUM	98.76	98.20	98.00	98.00
Off Balance Sheet	32,744	55,557	73,259	86,852
% of AUM	1.24	1.80	2.00	2.00

**Profitability & Capital (%)**

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	9.0	9.0	9.2	9.1
ROAA	3.1	3.0	3.1	3.2
ROAE	15.5	12.5	11.4	12.3

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Int. Inc. / Operating Inc.	1,03,408	1,07,895	1,11,732	1,15,506
Income from securitization	-	-	-	-
Interest Expenses	47,513	52,240	54,008	55,248
<b>Net Interest Income</b>	<b>55,896</b>	<b>55,655</b>	<b>57,725</b>	<b>60,258</b>
Growth (%)	13.8	9.4	10.3	10.3
Non-Interest Income	3,646	6,707	3,685	3,662
<b>Net Operating Income</b>	<b>59,542</b>	<b>62,363</b>	<b>61,410</b>	<b>63,919</b>
Growth (%)	14.1	13.2	12.0	11.5
Operating expenditure	18,692	19,010	19,486	19,486
<b>PPP</b>	<b>40,850</b>	<b>43,353</b>	<b>41,924</b>	<b>44,434</b>
Growth (%)	-	-	-	-
Provision	13,258	15,633	12,857	13,333
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	44,159	27,720	29,067	31,100
Tax	8,462	6,326	7,510	8,028
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	19.2	22.8	25.8	25.8
<b>PAT</b>	<b>35,698</b>	<b>21,394</b>	<b>21,557</b>	<b>23,072</b>
Growth	96	10	9	11
AUM	25,44,697	26,31,903	27,22,490	28,13,095
YoY growth (%)	18.8	17.0	16.6	15.7
Borrowing	22,34,597	23,41,973	24,29,113	23,43,094
YoY growth (%)	25.9	26.0	26.7	12.7

**Key Ratios**

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	956	956	956	956
EPS (Rs)	43.1	47.9	54.1	65.8
Book value (Rs)	299.4	499.4	503.4	569.2
Adj. BV(Rs)	263.7	466.7	464.2	523.3
P/E(x)	22.2	20.0	17.7	14.5
P/BV(x)	3.2	1.9	1.9	1.7
P/ABV(x)	3.6	2.0	2.1	1.8
DPS (Rs)	8.6	9.6	8.1	9.9
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	0.9	1.0	0.8	1.0

**Asset Quality**

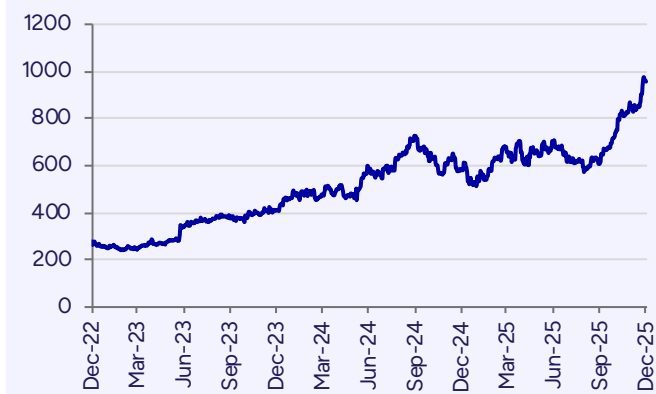
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	1,18,388	1,28,128	1,48,641	1,74,195
Net NPA(Rs m)	67,145	76,877	92,157	1,08,001
Gross NPAs to Gross Adv.(%)	4.6	4.5	4.4	4.3
Net NPAs to net Adv.(%)	2.6	2.7	2.7	2.7
NPA coverage(%)	43.3	40.0	38.0	38.0

**Du-Pont as a % of AUM**

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	8.2	7.7	7.6	7.6
NII INCI. Securitization	8.2	7.7	7.6	7.6
Total income	8.8	8.1	7.9	7.9
Operating Expenses	2.7	2.4	2.2	2.2
PPOP	6.1	5.7	5.7	5.7
Total Provisions	2.0	1.6	1.5	1.4
RoAA	3.1	3.0	3.1	3.2
Avg. Assets/Avg. net worth	5.2	3.6	3.7	3.9
RoAE	15.5	12.5	11.4	12.3

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

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

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	1,125	1,048
2	Cholamandalam Investment and Finance Company	Hold	1,725	1,704
3	HDFC Life Insurance Company	BUY	900	761
4	ICICI Prudential Life Insurance Company	BUY	710	597
5	Mahindra & Mahindra Financial Services	Accumulate	375	353
6	Max Financial Services	BUY	1,925	1,702
7	SBI Life Insurance Company	Hold	1,950	1,903
8	Shriram Finance	BUY	1,060	902
9	Sundaram Finance	Hold	5,000	4,691

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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