

Sundaram Finance (SUF IN)

Q4FY26 Result Update

May 26, 2026

 Estimate Change | Target | Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,900		5,500	
NII (INR. mn)	33,271	38,605	34,072	39,437
% Chng.	(2.4)	(2.1)		
PPoP (INR mn)	31,622	37,602	31,344	36,941
% Chng.	0.9	1.8		
EPS (INR)	191.6	226.6	190.9	224.4
% Chng.	0.4	1.0		

Key Data

SNFN.BO | SUF IN

BSE Code	590071
NSE Code	SUNDARMFN
52-W High / Low	INR 5,642 / INR 4,200
Face Value	10
Sensex / Nifty	76,489 / 24,032
Market Cap	INR 487 bn / \$ 5,116 mn
Shares Outstanding	111.1 mn
3M Avg. Daily Value	INR 359.19 mn

Shareholding Pattern (%)

Promoters	37.20
FII	19.13
MF	4.76
DII	2.67
Public & Others	36.24
Promoter's Pledge	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(7.8)	(20.2)	(8.0)	(16.9)
Relative	(7.6)	(14.2)	1.8	(11.2)

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
NII (INR mn)	23,942	29,300	33,271	38,605
NIM (%)	5.2	5.5	5.5	5.5
PPoP (INR mn)	23,032	29,011	31,622	37,602
PAT (INR mn)	15,427	18,342	21,294	25,186
EPS (INR)	138.9	171.8	191.7	226.7
Gr. (%)	6.1	23.7	11.6	18.3
DPS (INR)	35.0	40.0	44.3	52.4
Yield (%)	0.8	0.9	1.0	1.2
RoAE (%)	15.0	15.4	15.5	15.7
RoAA (%)	2.8	3.0	2.9	3.1
P/BV (x)	4.4	3.8	3.3	2.8
P/ABV (x)	4.7	4.0	3.4	2.9
PE (x)	31.6	25.5	22.9	19.3
CAR (%)	20.4	19.1	20.1	20.2

AUM growth picks up; credit cost normalizing

Quick Pointers

- We build a run-rate of 14/15% for FY27/28E AUM growth
- NIM to remain steady; lower yield to be offset by a controlled CoF
- Credit cost to normalize

Q4FY26 has seen a pick-up in disbursement growth (+17% YoY) with continued improvement in economic activity following GST 2.0 reforms. Q4 AUM grew 16% YoY to Rs 599.1bn and we build a run-rate of 14/15% for FY27/28E. Calculated NIM was flat QoQ to 5.61%; we expect it to remain steady in FY27/FY28E; lower yield to be offset by a controlled CoF. Asset quality trend improved (GS3/NS3 at 1.44%/ 0.69%) aided by strong collections, improved recoveries and tighter origination standards. We slightly tweak our FY27/ FY28E estimates factoring in stable NIM and normalized credit cost. We roll-forward to FY28, valuing SUF's standalone business at Rs3,978 (2.6x ABV vs. 2.9x earlier) and assign a value of Rs1,152 to subsidiaries with a 20% holding company discount to arrive at TP of Rs4,900. Maintain ACCUMULATE.

- **Expect 14/15% AUM growth in FY27/28E:** Q4 saw a pick-up in disbursement growth (17% YoY) to Rs80.5bn. While H1FY26 witnessed trade tariff related complications resulting in somewhat muted demand and macroeconomic activity, H2FY26 gathered steam spurred by the transmission of monetary policy and stimulus provided by fiscal policy measures. Retail CV saw strong traction with YoY growth of 10%, while MHCV grew by 14.5% YoY. Consequently, Q4 AUM grew 16% YoY/3% QoQ to Rs599.1bn, driven by MHCV (+14.5% YoY), Cars (+17.3% YoY), Retail CV (+10% YoY), CE (+14% YoY), Tractors (+14.7% YoY), and Commercial Lending & Others (+32% YoY). CE saw muted condition due to backhoe loaders declining 7% YoY. AUM mix during the quarter stood at 43.5% / 24.6% / 10.6% / 7% for CV / Cars / CE and tractors segments respectively. With a rise in fuel cost and anticipated slowdown in economic activity, we build a tad lower AUM growth of 14/15% in FY27/28E.

Quarter Summary

Y/e Mar	Q4'26E	Q4'26A	% Var.	Q4'25A	YoY gr. (%)
NII (INR mn)	7,705	7,847	2.0	6,652	18.0
PPoP (INR mn)	7,057	8,582	22.0	7,258	18.0
Margin (%)	5.5	5.6	10 bps	5.5	10 bps
PAT (INR mn)	4,815	6,084	26.0	5,459	11.0

Source: Company, PL

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- NIM to remain steady:** NII grew by 17% YoY/3.4% QoQ to Rs7.8bn. While CoF reduced by 26bps QoQ to 6.97%, it was offset by reduction in yields by 33bps QoQ to 11.63%. As a result, calculated NIM was flat QoQ at 5.61% (vs. 5.62% in Q3). Company is focusing on the right asset class/ customer mix to optimize margins. We expect NIM to remain steady in FY27/28E; lower yield to be offset by a controlled CoF. Opex grew 17% YoY/ 6% QoQ, while C/I ratio improved to 26.7% (vs. 29.7% in Q3). During the year, SUF accounted for an impact of Rs750mn due to the new labor codes. PBT grew 31% YoY and PAT grew 11.5% YoY, in-line with AUM growth.
- Headline asset quality sees improvement:** Asset quality trend improved with gross Stage 3/net Stage 3 at 1.44%/ 0.69% vs. 1.91%/ 1.06% in Q3. GNPA/NNPA (as per RBI) stood at 2.14%/ 1.27% vs. 2.69%/ 1.73% QoQ, and the company maintains a PCR of 53%. Commentary indicated that asset quality pressure remained relatively high in H1FY26. However, it stabilized in H2 as economic activity/cash flows improved. GNPA ratios improved across segments, aided by improved recoveries/ collections and tighter origination standards. Capital adequacy ratio stood at 19.1% as of Q4.
- Subsidiaries report healthy performance:** (1) Sundaram Home Finance – AUM grew by 14% YoY to Rs199bn, while disbursements de-grew 2% YoY. The proportion of non-housing loans stood at 55% vs. 51% in Q3FY25. Asset quality trend saw an improvement (GNPA/NNPA at 1.1%/ 0.5% vs. 1.4%/ 0.8% in Q3). The company continues to focus on the self-employed segment and is growing its affordable lending portfolio as well. (2) Royal Sundaram – GWP grew 14% YoY to Rs12.5bn, and the company reported loss of Rs530mn. The combined ratio stood at 109%. (3) Sundaram Asset Management – Average AUM grew by 8% YoY and stood at Rs774bn, while PAT grew 2% YoY to Rs470mn. The proportion of equity-oriented schemes stood at ~80%.

Exhibit 1 : Q4FY26 Result Overview (Rs mn)

Y/e March	Q4FY26	Q4FY25	YoY gr. (%)	Q4FY26E	% Var	Q3FY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
NII	7,847	6,652	18.0	7,705	1.9	7,592	3.4	29,300	23,942	22.4
Spread (%) (calc)	5.6	5.5	14bps	5.5	14bps	5.6	0bps	5.5	5.2	30bps
Other income	3,853	3,277	17.6	2,235	72.4	2,281	68.9	11,365	9,479	19.9
Net Revenue	11,700	9,929	17.8	9,940	17.7	9,872	18.5	40,665	33,421	21.7
Opex	3,118	2,671	16.7	2,883	8.2	2,932	6.3	11,654	10,389	12.2
PPOP	8,582	7,258	18.2	7,057	21.6	6,940	23.7	29,011	23,032	26.0
Provisions	810	(11)	(7,270.8)	963	(15.8)	1,021	(20.7)	4,577	2,415	89.5
PBT	7,772	7,269	6.9	6,094	27.5	5,919	31.3	23,687	20,617	14.9
Tax	1,600	1,811	(11.6)	1,280	25.0	1,231	30.0	5,345	5,190	3.0
ETR (%)	20.6	24.9		21.0		20.8		22.6	25.2	
PAT*	6,084	5,459	11.5	4,815	26.4	4,029	51.0	18,342	15,427	18.9
Business Metrics										
AUM	5,99,080	5,14,760	16.4	6,02,509	(0.6)	5,82,360	2.9	5,99,080	5,14,760	16.4
Borrowings	2,49,866	2,21,315	12.9	5,43,765	(54.0)	NA	NA	2,49,866	2,21,315	12.9
Asset Quality Metrics										
GNPA (%)	1.44	1.44	0bps	1.81	37bps	1.91	47bps	1.44	1.44	0bps
NNPA (%)	0.69	0.75	6bps	0.99	30bps	1.06	37bps	0.69	0.75	6bps
PCR (%)	54.0	49.0	500bps	45.3	875bps	45.0	900bps	54.00	49.0	500bps

Source: Company, PL

Exhibit 2 : Break-up of our SoTP of Rs4,900

Entity	Valuation Method	Value per share (Rs)
Sundaram Finance (Standalone)	2.6x Mar-28 ABV, adjusted for subsidiaries cost of investment	3,978
Sundaram Home Finance (Subsidiary)	1.5x FY26 Network	311
Sundaram Asset Management (Subsidiary)	10% of last reported AUM	697
Royal Sundaram (General Insurance JV)	Valued on last transaction basis	137
Other subsidiaries & Associates	Net worth of other investments on FY26 basis	7
	20% holding company discount	230
	Target Price	4,900

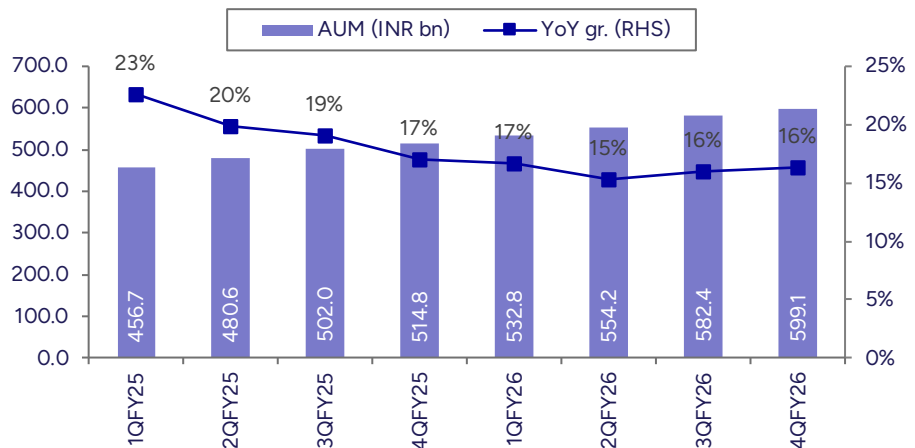
Source: Company, PL

Exhibit 3 : Change in estimates

	Revised Estimates		Earlier Estimates		Revision	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net Interest income (Rs mn)	33,271	38,605	34,072	39,437	-2.4%	-2.1%
Operating Profit (Rs mn)	31,622	37,602	31,344	36,941	0.9%	1.8%
Profit after tax (Rs mn)	21,294	25,186	21,216	24,938	0.4%	1.0%
ABV (Rs)	1,294	1,507	1,322	1,532	-2.1%	-1.6%

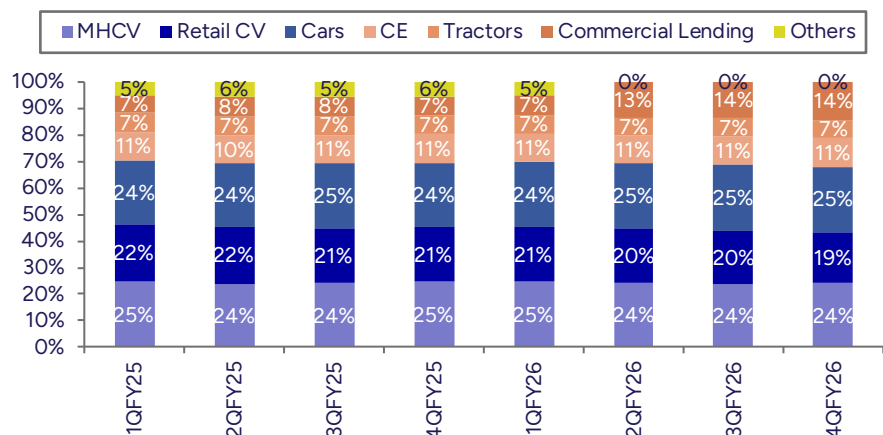
Source: Company, PL

Exhibit 4 : AUM grows 16% YoY to Rs599.1bn



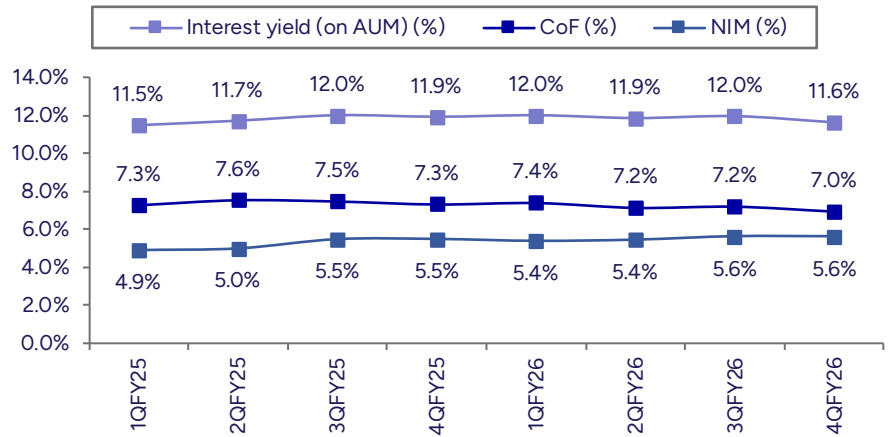
Source: Company, PL

Exhibit 5 : ...with strong growth in MHCV, Cars and Retail CV



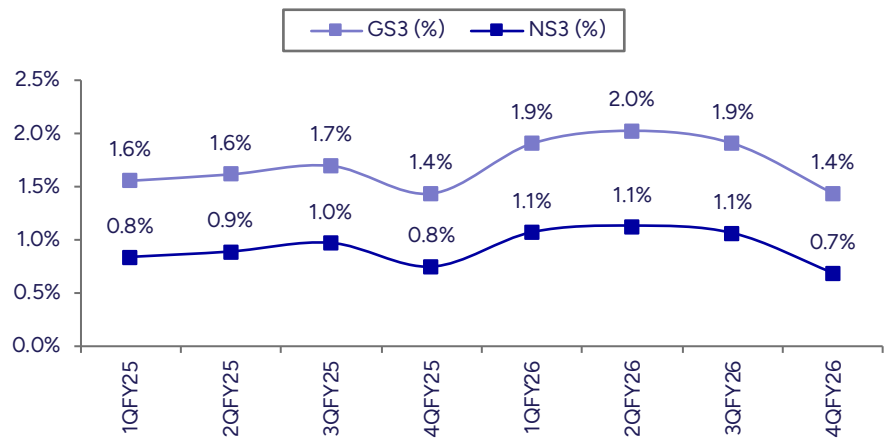
Source: Company, PL Note: From Q2FY26, commercial lending and other segments are clubbed together

Exhibit 6 : NIM flat QoQ at 5.6%; lower yield offset by lower CoF



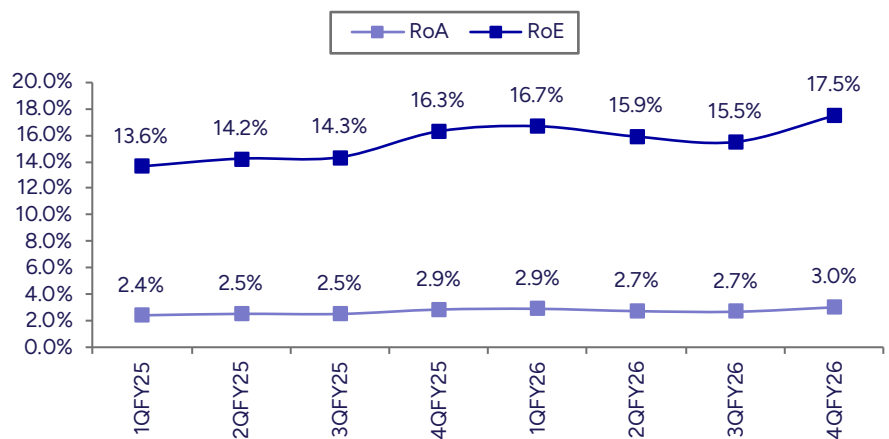
Source: Company, PL

Exhibit 7 : Headline asset quality ratios improved with GS3/NS3 at 1.4%/0.7%



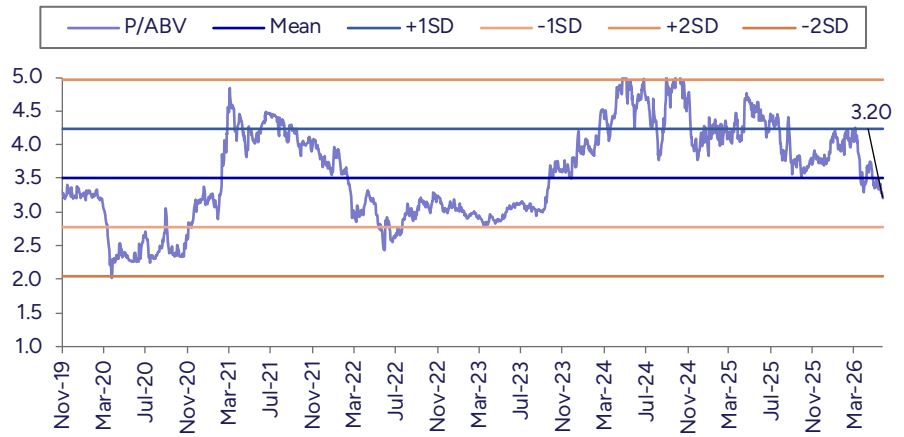
Source: Company, PL

Exhibit 8 : RoA and RoE stood at 17.5% and 3% in Q4FY26



Source: Company, PL

Exhibit 9 : One-year forward P/ABV of SUF trades at 3.2x



Source: Company, PL

Quarterly Financials

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Income statement (INR mn)								
Interest earned	12,868	13,732	14,754	15,162	15,728	16,114	16,995	17,177
Interest expended	7,570	8,108	8,352	8,511	8,936	9,011	9,403	9,330
Net interest income	5,298	5,625	6,402	6,652	6,792	7,103	7,592	7,847
Other income	1,895	2,389	1,884	3,277	3,133	2,064	2,281	3,853
Total income	14,763	16,121	16,638	18,439	18,861	18,179	19,275	21,030
Operating expenses	2,438	2,580	2,700	2,671	2,754	2,850	2,932	3,118
Employees	1,572	1,574	1,702	1,583	1,763	1,769	1,814	1,887
Others	867	1,006	998	1,088	991	1,081	1,119	1,232
Operating profit	4,755	5,433	5,586	7,258	7,171	6,318	6,940	8,582
Provisions	734	781	912	(11)	1,574	1,171	1,021	810
Profit before tax	4,022	4,652	4,674	7,269	5,597	5,146	5,919	7,772
Tax	945	1,251	1,183	1,811	1,310	1,204	1,231	1,600
Profit after tax	3,077	3,401	3,491	5,459	4,287	3,942	4,029	6,084
Balance sheet (INR mn)								
AUM	456,710	480,580	501,990	514,760	532,780	554,190	582,360	599,080
<i>AUM growth (%)</i>	22.6	19.8	19.0	17.0	16.7	15.3	16.0	16.4
Disbursements	69,080	68,600	77,640	68,730	73,100	81,130	88,470	80,510
<i>Disbursal growth (%)</i>	6.5	(1.2)	19.0	10.7	5.8	18.3	13.9	17.1
Borrowings	420,788	436,996	454,539	473,201	490,875	515,927	525,580	545,904
<i>Borrowings growth (%)</i>	22.5	15.5	12.7	15.8	16.7	18.1	15.6	15.4
Debt / Equity (x)	4.2	4.1	4.2	4.2	4.0	4.0	4.1	4.3
Assets / Equity (x)	5.4	5.2	5.1	5.3	5.0	5.1	5.2	5.4
Capital ratios (%)								
Total CAR	19.3	20.0	20.0	20.4	20.0	19.3	19.1	19.1
Tier-1	16.2	16.4	16.6	17.4	17.3	16.9	16.8	17.2
Tier-2	3.1	3.6	3.4	3.0	2.7	2.4	2.3	1.9
Profitability ratios (%)								
Yield on AUM	11.9	11.7	12.0	12.5	12.0	11.9	12.0	11.6
Cost of funds	7.3	7.6	7.5	7.3	7.4	7.2	7.2	7.0
NIM	4.9	5.0	5.5	5.5	5.4	5.4	5.6	5.6
Spread	4.6	4.6	5.1	5.1	5.0	5.2	5.3	5.3
Cost / Income	33.9	32.2	32.6	26.9	27.7	31.1	29.7	26.7
Opex / AUM	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.1
RoA	2.4	3.0	2.5	2.9	2.9	2.7	2.7	3.0
RoE	14.0	15.0	15.0	17.0	17.0	16.0	15.5	18.0
Asset quality ratios (%)								
GNPA	1.6	1.6	2.0	1.4	1.9	2.0	1.9	1.4
NNPA	0.8	0.9	1.0	0.8	1.1	1.1	1.1	0.7
Provision coverage	47.0	42.0	43.0	49.0	44.0	45.0	45.0	53.0
Credit costs	0.7	0.7	0.8	-	1.2	0.9	0.7	0.6

Source: Company, PL

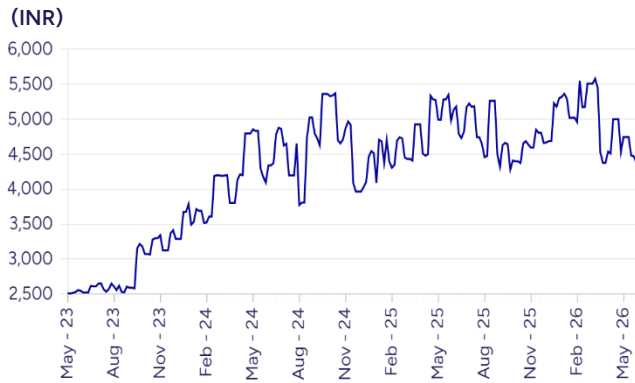
Financials

Y/e Mar	FY25	FY26	FY27E	FY28E
Profit & Loss (INR mn)				
Interest income	56,482	65,980	74,045	84,425
Interest expense	32,540	36,680	40,774	45,820
NII	23,942	29,300	33,271	38,605
Other income	9,479	11,365	11,495	14,470
Total income	65,961	77,345	85,541	98,895
Operating expenses	10,389	11,654	13,145	15,473
Employee	6,430	7,231	6,572	7,737
Others	2,278	2,531	4,302	5,012
PPOP	23,032	29,011	31,622	37,602
Provisions	2,415	4,577	4,481	5,488
PBT	20,617	23,687	27,141	32,113
Tax	5,190	5,345	5,846	6,928
PAT	15,427	18,342	21,294	25,186
Growth ratios (%)				
AUM	17.0	16.4	14.3	14.6
Borrowings	15.8	15.4	9.6	12.1
NII	22.9	22.4	13.6	16.0
Opex	9.6	12.2	12.8	17.7
PPoP	16.9	26.0	9.0	18.9
Provisions	(11.8)	89.5	(2.1)	22.5
PAT	16.9	18.9	16.1	18.3
Profitability ratios (%)				
Yield on AUM	12.4	12.5	12.2	12.1
Cost of funds	7.4	7.2	7.1	7.2
NIM	5.2	5.5	5.5	5.5
Spread	5.0	5.3	5.1	4.9
Other Income/Assets	1.6	1.7	1.5	1.6
Cost/Income	31.1	28.7	29.4	29.2
Opex/Assets	1.8	1.4	1.4	1.5
Tax Rate	25.2	22.6	21.5	21.6
RoA	2.8	3.0	2.9	3.1
RoE	15.0	15.4	15.5	15.7
DuPont analysis (%)				
Interest income	10.3	10.4	10.2	10.2
Interest expense	5.9	5.8	5.6	5.5
NII	4.3	4.6	4.6	4.7
Other income	1.7	1.8	1.6	1.8
Total income	12.0	12.1	11.7	12.0
Operating expenses	1.9	1.5	1.5	1.5
Employee	1.2	1.1	0.9	0.9
Others	0.7	0.4	0.6	0.6
PPOP	4.2	4.8	4.7	4.9
Provisions	0.4	0.7	0.6	0.7
PBT	3.5	3.9	3.8	4.0
Tax	0.9	0.8	0.8	0.8
PAT	2.6	3.1	3.0	3.2

Source: Company, PL

Y/e Mar	FY25	FY26	FY27E	FY28E
Balance sheet (INR mn)				
Cash & Bank	19,745	12,981	13,241	13,506
Loans	493,735	565,295	650,458	745,248
Investments	68,626	94,083	99,851	108,072
Fixed Assets	6,564	7,016	7,300	7,595
Other Assets	3,478	2,871	2,962	3,057
Total Assets	592,148	682,246	773,812	877,477
Borrowings	473,201	545,904	598,422	670,723
Other Liabilities & Provisions	7,556	9,188	27,509	34,310
Total Liabilities	480,757	555,092	625,931	705,034
Share capital	1,111	1,111	1,111	1,111
Other equity	110,280	126,043	146,771	171,333
Total equity	111,391	127,154	147,882	172,444
Total Liabilities & Equity	592,148	682,246	773,812	877,477
Balance Sheet ratios (%)				
Debt/Equity	4.6	4.6	4.4	4.2
Assets/Equity	5.7	5.7	5.6	5.5
Cash/Borrowings	-	-	-	-
CRAR	20.4	19.1	20.1	20.2
Asset quality (%)				
GNPA (INR mn)	10,940	8,627	8,996	11,156
NNPA (INR mn)	6,872	4,134	4,138	5,020
GNPA	1.4	1.4	1.3	1.4
NNPA	0.8	0.7	0.6	0.6
PCR	37.2	52.1	54.0	55.0
Credit Cost	0.5	0.9	0.8	0.9
Per share (Rs)				
EPS	138.9	171.8	191.7	226.7
BVPS	1,002.6	1,144.5	1,331.1	1,552.1
ABVPS	940.8	1,107.3	1,293.8	1,507.0
Valuation (x)				
P/E	31.6	25.5	22.9	19.3
P/ABV	4.7	4.0	3.4	2.9
P/BV	4.4	3.8	3.3	2.8

Source: Company, PL

Price Chart

Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Apr-26	ACCUMULATE	5500	4887
2	03-Feb-26	Hold	5500	5359
3	08-Jan-26	Hold	5000	5288
4	04-Nov-25	Hold	5000	4691
5	07-Oct-25	Hold	4750	4427
6	05-Aug-25	Hold	4800	4646
7	08-Jul-25	Hold	5000	5167
8	27-May-25	Hold	5000	5351

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	AAVAS Financiers	Accumulate	1585	1446
2	Bajaj Finance	BUY	1100	930
3	Can Fin Homes	BUY	1075	915
4	Cholamandalam Investment and Finance Company	Buy	1950	1640
5	HDFC Life Insurance Company	Buy	835	632
6	Home First Finance Company India	Accumulate	1350	1215
7	ICICI Prudential Life Insurance Company	Buy	700	547
8	LIC Housing Finance	Hold	575	560
9	Mahindra & Mahindra Financial Services	Accumulate	325	294
10	Max Financial Services	Buy	2075	1654
11	SBI Life Insurance Company	Buy	2200	1885
12	Shriram Finance	BUY	1200	1011
13	Sundaram Finance	Accumulate	5500	4887

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

Indian Clients

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