27 July 2025

1QFY26 Results Update | Sector: Financials

Shriram Finance

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SHFL IN
Equity Shares (m)	1881
M.Cap.(INRb)/(USDb)	1158.3 / 13.4
52-Week Range (INR)	730 / 493
1, 6, 12 Rel. Per (%)	-7/10/15
12M Avg Val (INR M)	4307

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Total Income	234	270	318
PPOP	163	186	222
PAT	82.7	93.8	112.7
EPS (INR)	44	50	60
EPS Gr. (%)	15	13	20
Standalone BV (INR)	299	341	389
Valuations			
NIM on AUM (%)	8.2	8.0	8.4
C/I ratio (%)	30.5	31.1	30.2
RoAA (%)	3.1	3.0	3.2
RoE (%)	15.8	15.6	16.4
Div. Payout (%)	22.5	22.7	22.5
Valuations			
P/E (x)	14.0	12.3	10.3
P/BV (x)	2.1	1.8	1.6
Div. Yield (%)	1.6	1.8	2.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	25.4	25.4	25.4
DII	16.3	15.3	15.2
FII	52.6	53.6	54.3
Others	5.7	5.7	5.1

FII Includes depository receipts

CMP: INR616 TP: INR780 (+27%) Buy

Elevated surplus liquidity impacts NIM again; credit costs benign

Earnings in line; NIM contracted ~15bp QoQ; increased slippages into Stage 2

- Shriram Finance's (SHFL) 1QFY26 PAT rose ~9% YoY to ~INR21.6b (in line). NII in 1QFY26 grew ~10% YoY to INR57.7b (in line). Credit costs were benign at ~INR12.9b (~18% lower than MOFSLe) and translated into annualized credit costs of ~1.9% (PQ: 2.4% and PY: 2.1%). PPoP grew ~9% YoY to ~INR41.9b (in line).
- Other income grew ~57% YoY to INR3.7b, driven by higher investment income of INR1.3b. Opex rose ~21% YoY to INR19.5b (~5% higher than MOFSLe), due to higher employee expenses driven by annual increments and incentives.
- Yields (calc.) were stable QoQ at 16.7%, while CoB declined ~8bp QoQ to 9.05%, resulting in spreads increasing by ~10bp QoQ to ~7.65%. Reported NIM contracted ~15bp QoQ to ~8.1%, primarily due to elevated surplus liquidity on the balance sheet, driven by strong mobilization of retail deposits during the quarter. Current surplus liquidity stood at ~INR280b (five months of debt repayments); however, it is expected to gradually reduce and normalize to ~INR18b (three months of debt repayments) over the next two to three quarters.
- AUM stood at INR2.63t, growing 16.6% YoY/3.4% QoQ. ***Management indicated that demand in rural areas remains healthy, with segments such as used CVs and MSME continuing to perform well and showing no significant stress, particularly in rural and semi-urban regions.*** Although demand was slightly soft during the quarter due to seasonal factors (such as early monsoons), it is expected to improve going forward, driven by a recovery in rural markets.
- Asset quality (GS3) remained broadly stable during the quarter, with net slippages well contained and credit costs exhibiting sequential moderation. While there was a slight increase (of ~40bp QoQ) in Stage 2, management attributed it to seasonality and the early onset of monsoon and was confident of rolling them back in the next quarter.
- SHFL has positioned itself to capitalize on its diversified AUM mix, improved access to liabilities, and enhanced cross-selling opportunities. The company has yet to fully utilize its distribution network for non-vehicle products. SHFL is our Top Idea (refer to the report) in the NBFC sector for CY25, as we find its valuations of 1.6x FY27E P/BV attractive, given its strong franchise and the potential to deliver a ~16%/~17% AUM/PAT CAGR over FY25-27E, along with an RoA/RoE of ~3.2%/16% by FY27. **Reiterate BUY with a TP of INR780 (premised on 2x FY27E BVPS).**

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.Khemani@MotilalOswal.com)

Asset quality broadly stable; stage 2 rises ~40bp QoQ

- GS3 was largely stable QoQ at 4.55%, while NS3 improved 5bp QoQ to 2.6%. Net slippages were higher YoY and stood at INR9b (PY: INR8b and PQ: INR14b). PCR on Stage 3 rose ~1pp QoQ to ~44%. (PQ: ~43%). PCR on Stage 1 was stable QoQ at 3.5%, while on Stage 2, it rose 30bp QoQ to ~8.3%.
- Stage 2 assets rose ~40bp QoQ to 7.3%. (PQ: 6.9% and PY: 6.7%).
- Management guided for credit costs (as % of assets) of <2% for FY26, and we estimate credit costs of ~1.95%/2.0% (as % of assets) in FY26/FY27.

Potential NIM expansion on liquidity normalization and lower CoB

- Management indicated that it plans to reduce ~INR100b of excess liquidity on its balance sheet over the next 2 to 3 quarters. Normalization in surplus liquidity and a decline in the overall cost of borrowings (where incremental CoF was down ~40bp QoQ) are expected to result in NIM expansion in subsequent quarters.
- SHFL is well-positioned to benefit from a declining interest rate environment, and we model NIMs of 8.0%/8.4% (as % of total assets) in FY26/FY27

Highlights from the management commentary

- MSME loans are now offered across two-thirds of the branch network, with plans to extend coverage to the remaining branches over time. Within the MSME segment, lending is primarily focused on trading and services businesses such as wholesalers and shopkeepers. Notably, the company does not have any exposure to the manufacturing segment within MSME. SHFL's MSME asset quality remains strong with no visible signs of stress.
- Management highlighted that LCVs, which underperformed last year amid a weak rural economy, are expected to witness stronger growth than SCVs going forward, driven by an improvement in rural activity. Meanwhile, trucking activity continues to remain healthy, supported by stable freight rates and no excess capacity in the market.

Valuation and view

- SHFL reported an operationally weak quarter, with disbursement volumes weaker than expected. NIM continued to contract due to elevated surplus liquidity, while the increase in Stage 2 (despite stable Stage 3) suggests ongoing forward flows. However, a key positive was the benign credit costs (which were at an eight-quarter low). Though currently weighed down by surplus liquidity, NIM is expected to revert to previous levels and expand further as liquidity normalizes over the coming quarters.
- SHFL is effectively leveraging cross-selling opportunities to reach new customers and introduce new products, which will lead to improved operating metrics and a solid foundation for sustainable growth. The current valuation of ~1.6x FY27E P/BV is attractive for ~17% PAT CAGR over FY25-27E and RoA/RoE of ~3.2%/ 16% in FY27E. **Reiterate BUY with a TP of INR780 (based on 2x FY27E BVPS).**

Quarterly Performance (INR m)

Y/E March	FY25				FY26E				FY25	FY26	1Q FY26E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	93,628	98,145	1,03,408	1,07,895	1,11,732	1,15,643	1,20,153	1,24,515	4,03,076	4,72,043	1,11,617	0
Interest Expenses	41,289	43,504	47,513	52,240	54,008	55,034	55,749	56,276	1,84,546	2,21,066	53,389	1
Net Interest Income	**52,339**	**54,641**	**55,896**	**55,655**	**57,725**	**60,609**	**64,404**	**68,240**	**2,18,531**	**2,50,977**	**58,228**	-1
YoY Growth (%)	*24.6*	*18.9*	*13.8*	*9.4*	*10.3*	*10.9*	*15.2*	*22.6*	*16.3*	*14.8*	*11.3*	
Other Income	2,343	2,805	3,646	6,707	3,685	4,011	4,436	6,923	15,518	19,056	3,721	-1
Total Income	**54,682**	**57,446**	**59,542**	**62,363**	**61,410**	**64,620**	**68,840**	**75,163**	**2,34,049**	**2,70,033**	**61,949**	-1
YoY Growth (%)	*21.1*	*16.2*	*14.1*	*13.2*	*12.3*	*12.5*	*15.6*	*20.5*	*15.9*	*15.4*	*13.3*	
Operating Expenses	16,140	17,597	18,692	19,010	19,486	20,413	21,496	22,501	71,440	83,896	18,561	5
Operating Profit	**38,541**	**39,848**	**40,850**	**43,353**	**41,924**	**44,207**	**47,344**	**52,662**	**1,62,609**	**1,86,137**	**43,388**	-3
YoY Growth (%)	*23.3*	*14.5*	*10.7*	*11.0*	*8.8*	*10.9*	*15.9*	*21.5*	*14.5*	*14.5*	*12.6*	
Provisions & Loan Losses	11,876	12,350	13,258	15,633	12,857	14,761	16,157	17,022	53,117	60,797	15,740	-18
Profit before Tax	**26,666**	**27,498**	**27,592**	**27,720**	**29,067**	**29,446**	**31,187**	**35,639**	**1,09,493**	**1,25,340**	**27,648**	5
Tax Provisions	6,860	6,803	6,788	6,326	7,510	7,303	7,797	8,976	26,776	31,586	6,967	8
Net Profit	**19,806**	**20,696**	**20,804**	**21,394**	**21,557**	**22,144**	**23,390**	**26,663**	**82,716**	**93,754**	**20,681**	4
YoY Growth (%)	*18.2*	*18.2*	*14.4*	*9.9*	*8.8*	*7.0*	*12.4*	*24.6*	*15.0*	*13.3*	*4.4*	
Exceptional gain (Post tax)			14,894						14,894			
PAT (including exceptional gains/loss)			**35,698**						**97,610**			
Key Parameters (Calc., %)												
Yield on loans	16.3	16.5	16.6	16.7	16.7	16.7	16.7	16.6				
Cost of funds	8.7	8.7	8.8	9.1	9.06	9.0	8.8	8.7				
Spread	7.6	7.8	7.8	7.5	7.6	7.7	7.8	7.9				
NIM	9.1	9.2	9.0	8.60	8.62	8.7	8.9	9.1				
C/I ratio	29.5	30.6	31.4	30.5	31.7	31.6	31.2	29.9				
Credit cost	2.1	2.1	2.1	2.4	1.9	2.1	2.2	2.3				
Tax rate	25.7	24.7	24.6	22.8	25.8	24.8	25.0	25.2				
Balance Sheet Parameters												
Disbursements (INR b)	**377**	**400**	**438**	**448**	**418**	**456**	**500**	**512**				
Growth (%)	*23.8*	*15.5*	*15.8*	*14.0*	*10.9*	*14.0*	*14.2*	*14.1*				
AUM (INR b)	**2,334**	**2,430**	**2,545**	**2,632**	**2,722**	**2,822**	**2,949**	**3,053**				
Growth (%)	**20.8**	**19.9**	**18.8**	**17.0**	**16.6**	**16.1**	**15.9**	**16.0**				
Borrowings (INR b)	**1,917**	**2,078**	**2,235**	**2,342**	**2,429**	**2,483**	**2,566**	**2,626**				
Growth (%)	18.4	25.7	25.9	26.0	26.7	19.5	14.8	12.1				
Asset Quality Parameters												
GS 3 (INR B)	124.1	127.6	135.2	118.4	122.0							
GS 3 (%)	5.4	5.3	5.4	4.55	4.53							
NS 3 (INR B)	60.6	61.7	65.4	67.14	67.93							
NS 3 (%)	2.7	2.6	2.7	2.64	2.57							
PCR (%)	51.1	51.7	51.6	43.28	44.31							

E: MOFSL estimates

Highlights from the management commentary

Guidance

- Credit costs are expected to remain below 2% (as a % of total assets) for FY26.
- MSME loan growth moderated due to soft demand, but management expects a recovery over the next two quarters as rural demand improves.
- The company remains confident of achieving its FY26 guidance.
- The company targets an exit NIM of 8.5% by 4QFY26; full-year NIM may vary depending on 3Q and 4Q performance.
- Margin expansion is expected to be driven by lower borrowing costs.
- Overall performance is expected to show improvement from 2QFY26, backed by rural demand revival.
- Management expects excess liquidity to normalize over the next 4 to 5 months.

Liability management

- Total liabilities stood at ~INR2.43t, diversified across multiple instruments.
- Retail deposits witnessed a positive uptick during the quarter.
- Incremental cost of funds declined 49bp QoQ to 8.37% (vs. 8.86% in 4QFY25) and is expected to reduce further.
- Total cost of liabilities reduced ~7bp to 8.88% in 1QFY26 (vs. 8.95 in 4QFY25).
- The company has reduced deposit rates by 40bp from 1st Aug'25. The deposit rate now stands at 7.6% (vs. 8.5% at the start of FY26).
- 55% of deposits are from senior citizens; the company is comfortable offering marginally higher rates for long-term stable funding.
- Liquidity buffer remains elevated (equivalent to five months' repayment obligations), which will be normalized to ~3 months over the next 4 to 5 months to reduce the negative carry. The company aims to reduce around INR100b of excess liquidity over the next 4 to 5 months.
- Its focus is on repaying high-cost debt and slowing incremental borrowings to optimize cost.
- ~85% of the company's liabilities are fixed and will take some time to reprice, while 15% are floating and will benefit as banks reduce the cost of funds.

Asset quality

- GNPA stood at 4.53%, while NNPA was at 2.57%, indicating broadly stable asset quality. The company shared that there was no significant deterioration in asset quality.
- The increase in Stage 2 assets was seasonal in nature, primarily due to the early arrival of the monsoon in some parts of the country, which temporarily disrupted borrower cash flows. Management expects most of these accounts to roll back to Stage 1 over the coming quarters.
- Management does not expect any meaningful forward flow from Stage 2 to Stage 3, and views the current rise in Stage 2 as transient.
- Used CV and MSME segments continue to perform well with no major stress indicators, supported by healthy demand, especially in rural and semi-urban areas.

Business trends

- Demand for used CVs continues to remain strong, especially in rural and semi-urban areas, supported by healthy resale values and limited competition.
- Entry-level new car demand remains on the lower side, while demand for used cars is rising. New car sales are slowing as customers are shifting to SUVs and compact SUVs.
- Two-wheeler customers are increasingly aspiring to upgrade to entry-level cars or compact SUVs, leading to a shift in demand profile.
- LCVs, which underperformed last year due to weak rural economy, are expected to grow ahead of SCVs as rural activity improves.
- Trucking activity remains healthy with freight rates stable and no excess capacity.
- Used CV disbursements remain strong with stable asset values, and there are no signs of weakness in the trucking market.
- MSME loans now cover 2/3rd of the branch network, with plans to expand to the remaining branches. Within MSME, lending is largely done to trading segments (wholesalers, shopkeepers), with no stress visible in any of the segments. In MSME, the company does not lend to any manufacturing segment as such.
- While the first quarter was a little slow in MSME, the company expects demand to pick up from 2QFY26 onwards.
- Gold loan business is expected to benefit from formalization, supported by RBI’s liberal stance on small-ticket loans.
- The company sees an opportunity to gain market share from many smaller NBFCs that lack the ability to raise capital or scale.

Financial performance

- Disbursements grew 13.1% YoY to INR418b.
- AUM grew 16.6% YoY and 3.4% QoQ to INR2.72t.
- NIM declined slightly to 8.11% (vs. 8.25% in 4QFY25), largely due to negative carry from excess liquidity.
- PAT grew 8% YoY to INR21.5b.
- GNPA stood at 4.53% and Net Stage 3 at 2.57%.
- Write-offs for the quarter stood at INR4.48b.
- Stage 2 increase was seasonal and linked to the early arrival of monsoon. The company remains confident of rolling back most Stage 2 accounts and expects improvement ahead.
- No forward flows are expected from Stage 2 into Stage 3 in the next quarter.

Macro commentary

- India’s GDP grew at 6.5% in FY25, and similar growth is expected in the current fiscal.
- Consumer Price Inflation (CPI) is at its lowest in six years, while wholesale inflation fell to a 12-month low of -1.3%.
- Monsoon conditions have been broadly favorable, aiding rural sentiment.
- Rural consumption is expected to be a key driver in FY26.
- GST collections continued to grow healthily, reflecting sustained economic activity.

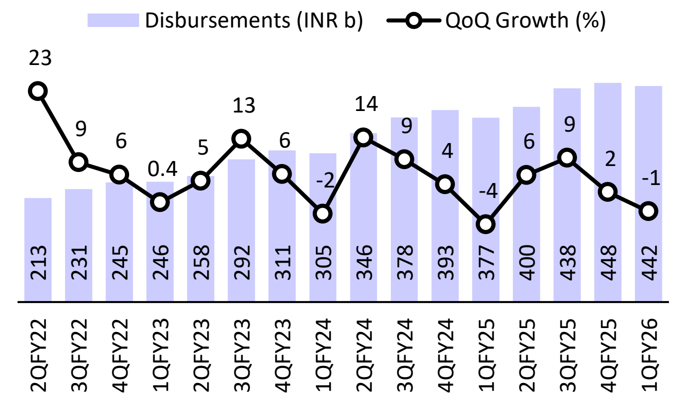
- In the auto sector, CV sales declined 0.6% YoY in 1QFY26. Within this, MHCV sales were down 2.3%, LCVs remained flat, PVs declined 1.4%, and 2W sales were down 6.2%, while 3Ws were flat and tractors grew 6.3%. Construction equipment (CE) recorded a marginal decline.

Other highlights

- Employee count stands at 79,186.
- Employee expenses were higher due to annual increments and bonuses.
- Commission expenses rose in line with an increase in deposit inflows.
- No DA assignments were done this quarter; the prior quarter had INR1.7b in DA commission income.
- Construction activity remained subdued due to monsoon; a pickup is expected in Sept-Oct.

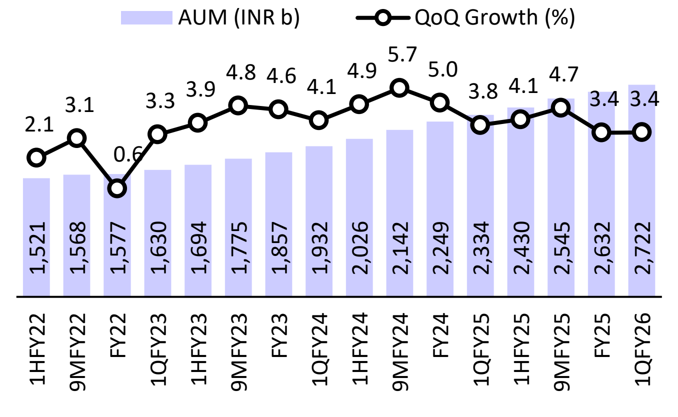
Key exhibits

Exhibit 1: Disbursements grew 11% YoY…



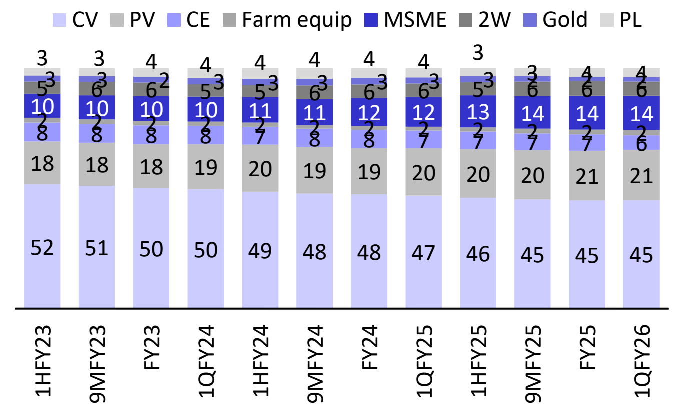
Source: MOFSL, Company

Exhibit 2: …leading to an AUM growth of 17% YoY



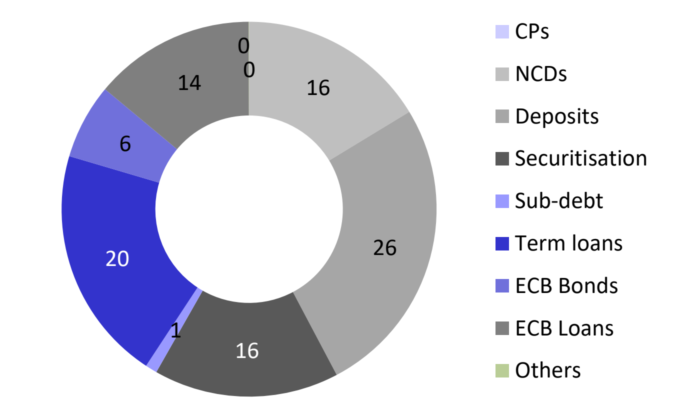
Source: MOFSL, Company

Exhibit 3: Non-auto contributed ~20% to the AUM mix (%)



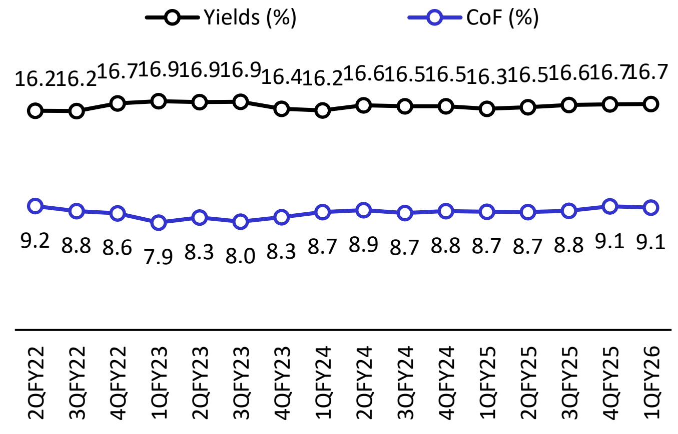
Source: MOFSL, Company

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



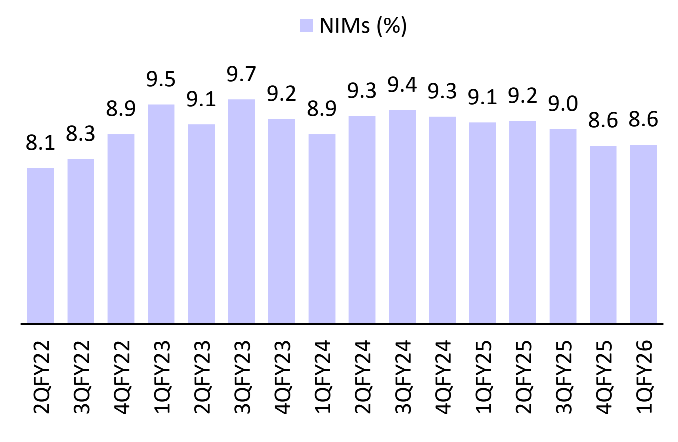
Source: MOFSL, Company

Exhibit 5: CoF (calc.) declined ~8bp QoQ (%)



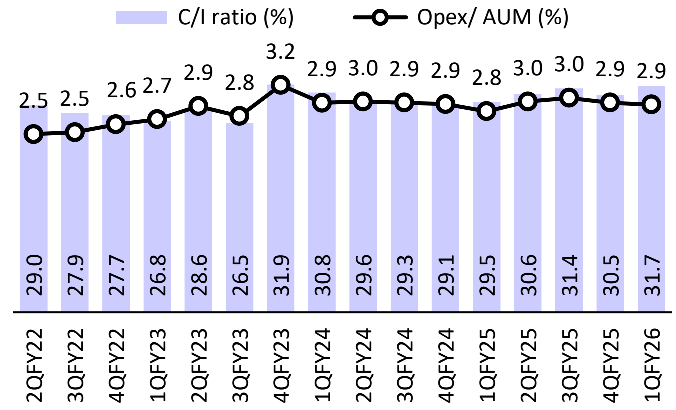
Source: MOFSL, Company

Exhibit 6: NIM (calc.) remained stable QoQ (%)



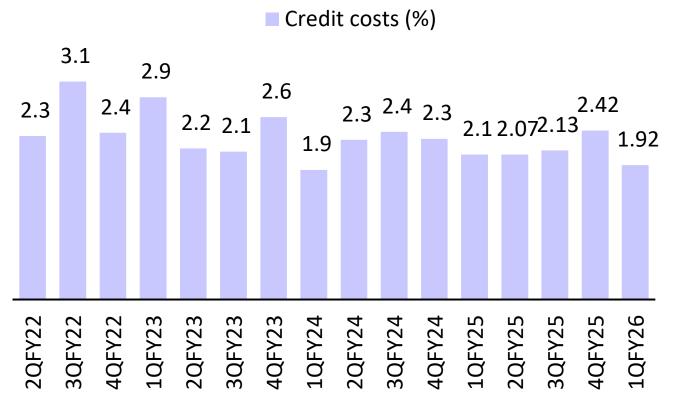
Source: MOFSL, Company

Exhibit 7: Cost-to-income ratio rose ~120bp QoQ



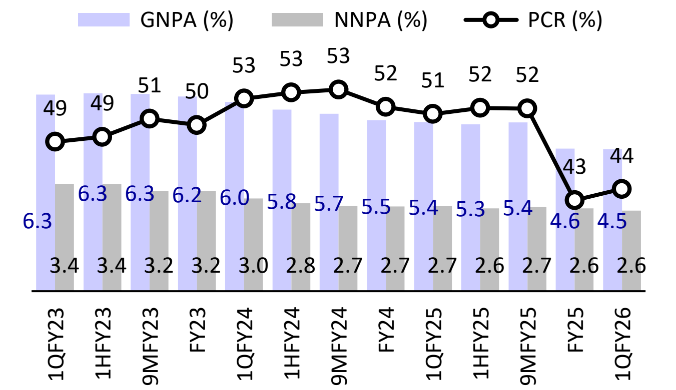
Source: MOFSL, Company

Exhibit 8: Credit costs (calc.) declined ~50bp QoQ



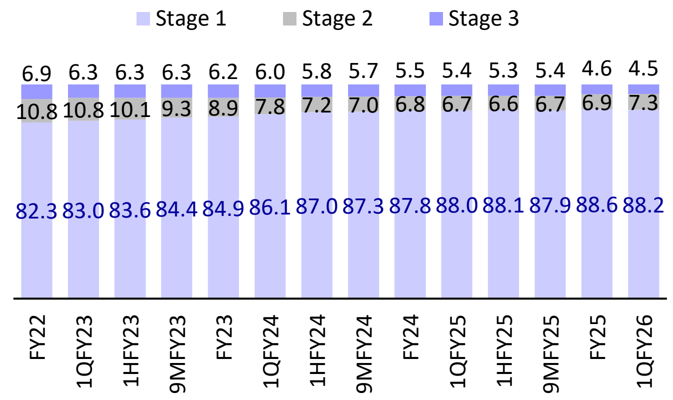
Source: MOFSL, Company

Exhibit 9: GS3 was broadly stable QoQ



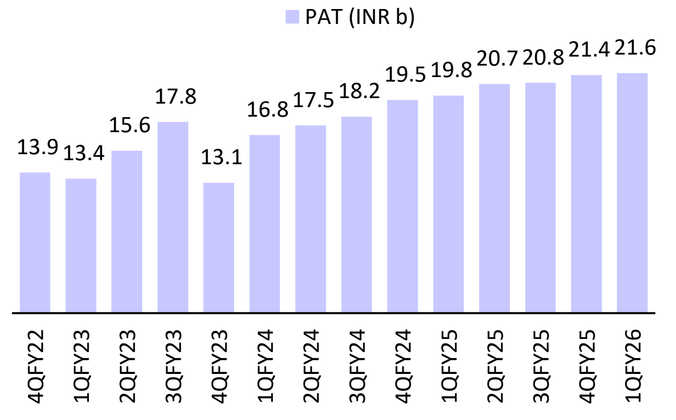
Source: MOFSL, Company

Exhibit 10: Stage 2 rose 40bp QoQ (%)



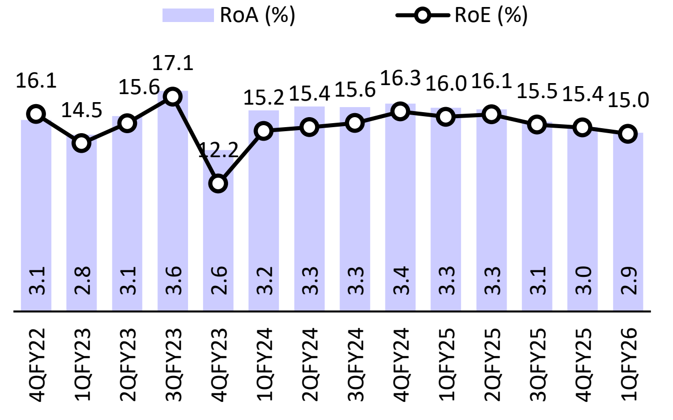
Source: MOFSL, Company

Exhibit 11: PAT grew ~9% YoY



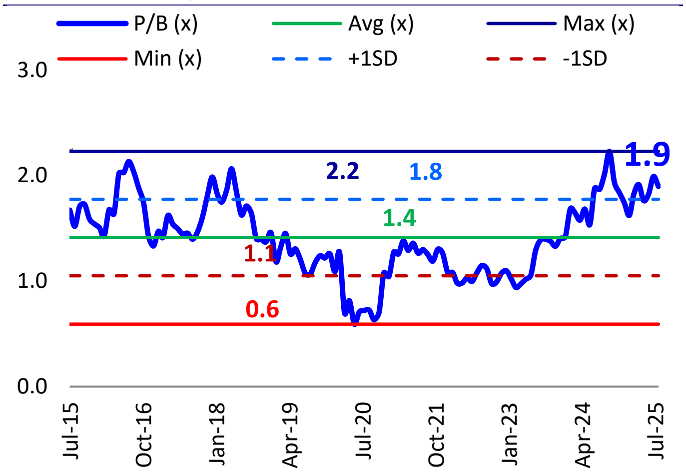
Source: MOFSL, Company

Exhibit 12: RoA declined to ~2.9% in 1QFY26



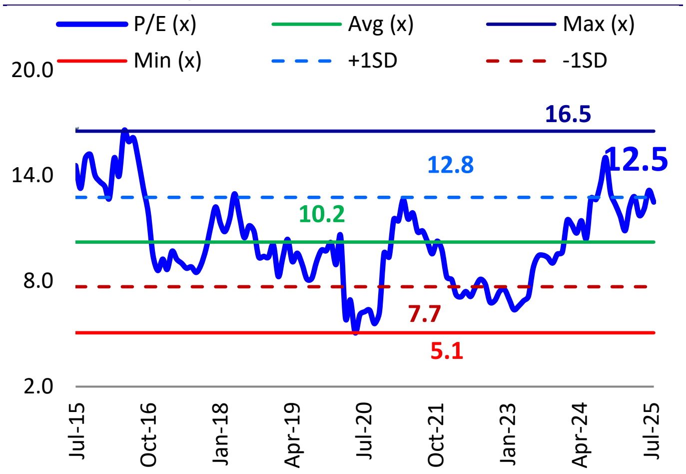
Source: MOFSL, Company

Exhibit 13: One-year forward P/B



Source: MOFSL, Company

Exhibit 14: One-year forward P/E



Source: MOFSL, Company

Exhibit 15: We cut our FY26/27 EPS estimates by 3%/2% to factor in slightly lower AUM growth and higher opex

INR B	Old Est.		New Est.		Change (%)	
	FY26	FY27	FY26	FY27	FY26	FY27
NII (incl. assignments)	256.8	301.1	251.0	297.7	-2.3	-1.1
Other Income	17.2	19.2	19.1	20.5	10.5	6.9
Total Income	**274.1**	**320.3**	**270.0**	**318.2**	**-1.5**	**-0.6**
Operating Expenses	82.4	94.4	83.9	96.1	1.8	1.7
Operating Profits	**191.6**	**225.9**	**186.1**	**222.2**	**-2.9**	**-1.6**
Provisions	62.8	72.5	60.8	71.5	-3.2	-1.5
PBT	**128.8**	**153.3**	**125.3**	**150.7**	**-2.7**	**-1.7**
Tax	32.5	38.6	31.6	38.0	-2.7	-1.7
PAT	**96.4**	**114.7**	**93.8**	**112.7**	**-2.7**	**-1.7**
AUM	3,082	3,573	3,053	3,523	-0.9	-1.4
Loans	2,890	3,364	2,856	3,307	-1.2	-1.7
Borrowings	2,589	2,966	2,626	2,988	1.4	0.7
NIM	9.0	9.0	8.8	9.1		
Credit Cost (%)	2.4	2.3	2.3	2.3		
RoA	3.1	3.3	3.0	3.2		
RoE	**16.0**	**16.6**	**15.6**	**16.4**		

Sources: MOFSL, Company

Du-Pont (% of average assets)	**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	15.1
Interest Expended	7.3	7.4	7.2	7.1	6.5	6.7	7.0	7.1	6.7
Net Interest Income	**8.9**	**8.3**	**7.5**	**7.3**	**8.3**	**8.5**	**8.2**	**8.0**	**8.4**
Non-interest income	0.2	0.4	0.3	0.5	0.6	0.6	0.6	0.6	0.6
Net Total Income	**9.1**	**8.6**	**7.8**	**7.8**	**8.9**	**9.2**	**8.8**	**8.7**	**9.0**
Operating Expenses	**2.6**	**2.6**	**2.2**	**2.2**	**2.5**	**2.7**	**2.7**	**2.7**	**2.7**
- 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*	*1.3*
PPoP	**6.5**	**6.1**	**5.6**	**5.6**	**6.4**	**6.4**	**6.1**	**6.0**	**6.3**
Provisions/write offs	2.4	2.6	2.6	2.7	2.2	2.0	2.0	1.9	2.0
PBT	**4.1**	**3.4**	**3.0**	**2.9**	**4.2**	**4.4**	**4.1**	**4.0**	**4.3**
Tax	1.3	0.9	0.8	0.7	1.1	1.1	1.0	1.0	1.1
RoA	**2.7**	**2.5**	**2.3**	**2.2**	**3.1**	**3.3**	**3.1**	**3.0**	**3.2**
Avg. Leverage	6.3	5.9	5.7	5.4	4.9	4.8	5.1	5.2	5.1
RoE	**17.3**	**14.9**	**12.8**	**11.8**	**15.3**	**15.7**	**15.8**	**15.6**	**16.4**

Financials and valuation

Income Statement								(INR M)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Interest Income	2,19,646	2,26,997	2,48,605	2,86,074	3,35,997	4,03,076	4,72,043	5,34,332
Interest Expenses	1,04,105	1,11,881	1,22,668	1,25,458	1,48,061	1,84,546	2,21,066	2,36,608
Net Interest Income	**1,15,541**	**1,15,116**	**1,25,936**	**1,60,616**	**1,87,935**	**2,18,531**	**2,50,977**	**2,97,724**
Change (%)	0.1	-0.4	9.4	27.5	17.0	16.3	14.8	18.6
Other Operating Income	4,748	4,514	9,214	11,648	13,648	15,268	18,793	20,242
Other Income	235	237	227	307	332	251	263	276
Total Income	**1,20,524**	**1,19,867**	**1,35,378**	**1,72,571**	**2,01,915**	**2,34,049**	**2,70,033**	**3,18,242**
Change (%)	1.9	-0.5	12.9	27.5	17.0	15.9	15.4	17.9
Total Operating Expenses	**35,803**	**33,500**	**37,805**	**49,131**	**59,895**	**71,440**	**83,896**	**96,061**
Change (%)	6.3	-6.4	12.8	30.0	21.9	19.3	17.4	14.5
Employee Expenses	18,585	16,699	19,695	25,061	32,156	36,512	43,084	50,408
Depreciation	2,232	2,172	2,137	5,242	5,688	6,453	6,927	7,363
Other Operating Expenses	14,986	14,629	15,973	18,828	22,051	28,475	33,885	38,290
Operating Profit	**84,721**	**86,367**	**97,573**	**1,23,441**	**1,42,020**	**1,62,609**	**1,86,137**	**2,22,181**
Change (%)	0.1	1.9	13.0	26.5	15.1	14.5	14.5	19.4
Total Provisions	**36,786**	**39,693**	**47,485**	**41,592**	**45,183**	**53,117**	**60,797**	**71,491**
% Loan loss provisions to Avg loans ratio	2.7	2.8	3.1	2.4	2.2	2.3	2.3	2.3
PBT	**47,935**	**46,674**	**50,088**	**81,849**	**96,836**	**1,09,493**	**1,25,340**	**1,50,690**
Tax Provisions	12,913	11,692	12,164	22,056	24,932	26,776	31,586	37,974
Tax Rate (%)	*26.9*	*25.1*	*24.3*	*26.9*	*25.7*	*24.5*	*25.2*	*25.2*
PAT	**35,022**	**34,982**	**37,925**	**59,793**	**71,905**	**82,716**	**93,754**	**1,12,716**
Change (%)	-1.4	-0.1	8.4	57.7	20.3	15.0	13.3	20.2
PAT (including exceptional gains)	**35,022**	**34,982**	**37,925**	**59,793**	**71,905**	**97,610**	**93,754**	**1,12,716**

Balance Sheet								(INR M)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Equity Share Capital	2,929	3,191	3,371	3,744	3,758	3,761	3,761	3,761
Reserves & Surplus	2,47,288	2,91,764	3,43,760	4,29,322	4,81,926	5,59,045	6,37,756	7,27,309
Net Worth	**2,50,217**	**2,94,954**	**3,47,132**	**4,33,066**	**4,85,684**	**5,62,806**	**6,41,517**	**7,31,070**
Borrowings	**11,75,376**	**13,17,617**	**14,51,285**	**15,79,063**	**18,58,411**	**23,41,973**	**26,25,811**	**29,87,672**
Change (%)	6.4	12.1	10.1	8.8	17.7	26.0	12.1	13.8
Other liabilities	**25,436**	**26,317**	**23,320**	**24,509**	**28,665**	**30,551**	**33,606**	**36,967**
Total Liabilities	**14,51,029**	**16,38,888**	**18,21,754**	**20,36,639**	**23,72,760**	**29,35,329**	**33,00,933**	**37,55,708**
Cash and bank balances	**1,03,773**	**2,16,562**	**2,29,679**	**1,58,174**	**1,08,126**	**2,13,657**	**1,99,571**	**1,94,211**
Investments	35,326	42,152	86,455	85,651	1,06,566	1,55,987	1,24,790	1,18,550
Loans	**12,88,442**	**13,57,232**	**14,76,890**	**17,19,846**	**20,79,294**	**24,53,928**	**28,55,896**	**33,07,107**
Change (%)	4.1	5.3	8.8	16.5	20.9	18.0	16.4	15.8
Fixed Assets	7,181	6,599	6,467	6,997	8,458	10,257	10,770	11,308
Deferred tax Assets	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	15,613	9,379	13,137	34,465	27,408	52,657	68,454	88,990
Total Assets	**14,51,029**	**16,38,888**	**18,21,737**	**20,36,639**	**23,72,760**	**29,35,329**	**33,00,933**	**37,55,708**

E: MOFSL Estimates

Financials and valuation

AUM Mix (%)								(INR M)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
AUM	13,88,342	14,68,128	15,77,122	18,56,829	22,48,620	26,31,903	30,53,268	35,23,198
Change (%)	4	6	7	18	21	17	16	15
Disbursements	7,05,733	5,21,985	8,62,135	11,06,899	14,21,675	16,62,981	18,85,432	21,69,884
Change (%)	-3	-26	65	28	28	17	13	15

E: MOFSL Estimates

Ratios								(INR M)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Spreads Analysis (%)								
Avg. Yield on Loans	17.4	17.2	17.5	17.9	17.7	17.8	17.8	17.3
Avg Cost of Funds	9.1	9.0	8.9	8.3	8.6	8.8	8.9	8.4
Spread of loans	8.3	8.2	8.7	9.6	9.1	9.0	8.9	8.9
NIM (on assets)	8.3	7.5	7.3	8.3	8.5	8.2	8.0	8.4
C/I ratio	29.7	27.9	27.9	28.5	29.7	30.5	31.1	30.2
Profitability Ratios (%)								
RoE	14.9	12.8	11.8	15.3	15.7	15.8	15.6	16.4
RoA	2.5	2.3	2.2	3.1	3.3	3.1	3.0	3.2
Int. Expended / Int.Earned	47.4	49.3	49.3	43.9	44.1	45.8	46.8	44.3
Other Inc. / Net Income	4.1	4.0	7.0	6.9	6.9	6.6	7.1	6.4
Efficiency Ratios (%)								
Op. Exps. / Net Income	29.7	27.9	27.9	28.5	29.7	30.5	31.1	30.2
Empl. Cost/Op. Exps.	51.9	49.8	52.1	51.0	53.7	51.1	51.4	52.5
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	1.1	1.0	1.0	1.1	1.1	1.0	1.1	1.1
Assets/Equity	5.8	5.6	5.2	4.7	4.9	5.2	5.1	5.1
Asset quality (%)								
GNPA	1,14,400	1,01,688	1,09,762	1,13,822	1,20,812	1,18,388	1,37,882	1,55,981
NNPA	66,256	51,523	49,731	56,749	58,244	67,145	75,835	85,790
GNPA ratio	8.3	6.9	6.9	6.2	5.5	4.6	4.6	4.5
NNPA ratio	5.0	3.7	3.3	3.3	2.8	2.7	2.5	2.5
PCR	42.1	49.3	54.7	50.1	51.8	43.3	45.0	45.0
Credit Costs (% of loans)	2.7	2.8	3.1	2.4	2.2	2.3	2.3	2.3

Valuations	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (INR)	171	185	206	231	258	299	341	389
BV Growth (%)	14	8	11	12	12	16	14	14
P/BV	**3.6**	**3.3**	**3.0**	**2.7**	**2.4**	**2.1**	**1.8**	**1.6**
EPS (INR)	24	22	22	32	38	44	50	60
EPS Growth (%)	-1.4	-8.3	2.6	42.0	19.8	14.9	13.3	20.2
P/E	**25.7**	**28.0**	**27.3**	**19.3**	**16.1**	**14.0**	**12.3**	**10.3**
DPS	1.0	4.2	4.7	7.0	9.0	9.9	11	13
Dividend Yield (%)	**0.2**	**0.7**	**0.8**	**1.1**	**1.5**	**1.6**	**1.8**	**2.2**

E: MOFSL Estimates

N O T E S

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. 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, 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.

Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Specific Disclosures

1. 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
2. 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
3. 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.
4. 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.
5. Research Analyst has not served as an officer, director or employee of subject company(ies).
6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. 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/NCDEX); 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.