

BSE SENSEX	S&P CNX
84,929	25,966



Stock Info

Bloomberg	SHFL IN
Equity Shares (m)	1881
M.Cap.(INRb)/(USDb)	1696.4 / 18.9
52-Week Range (INR)	914 / 493
1, 6, 12 Rel. Per (%)	11/34/45
12M Avg Val (INR M)	4510
Free float (%)	74.6

Financials Snapshot (INR b)

Y/E March	FY26E	FY27E	FY28E
Total Income	270	333	403
PPOP	188	239	296
PAT	97.1	127.4	159.9
EPS (INR)	51.7	54.2	68.0
EPS Gr. (%)	17	5	26
BV (INR)	343	486	543

Valuations

NIM on AUM (%)	8.2	8.9	9.1
C/I ratio (%)	30.3	28.2	26.6
RoAA (%)	3.2	3.6	3.8
RoE (%)	16.1	14.3	13.2
Div. Payout (%)	22.3	22.5	20.3

Valuations

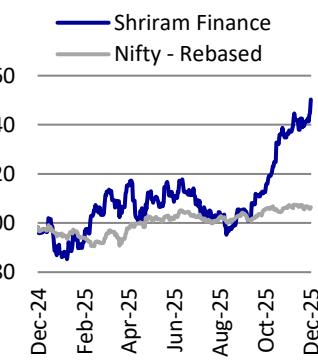
P/E (x)	17.5	16.6	13.3
P/BV (x)	2.6	1.9	1.7
Div. Yield (%)	1.3	1.4	1.5

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	25.4	25.4	25.4
DII	18.7	16.3	16.2
FII	49.6	52.6	53.3
Others	6.3	5.7	5.1

FII Includes depository receipts

Stock performance (one-year)



CMP: INR902

TP: INR1,100 (+22%)

Buy

Execution strength + strategic partner: Resilient -> remarkable

Margin tailwinds, asset quality stability, and potential catalysts ahead

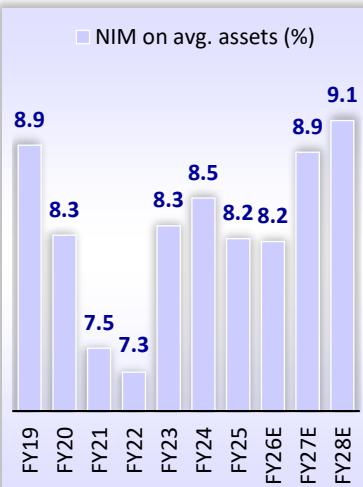
- The Board of Shriram Finance (SHFL) has approved a preferential equity issuance of INR396.2b to MUFG Bank Ltd., a leading Japan-based financial institution, at an issue price of INR840.93 per share. Upon completion, MUFG will hold ~20% stake in the company on a fully diluted basis and will be classified as a public shareholder.
- We view this transaction as a strategically significant and value-accretive development for SHFL. MUFG's investment is expected to support the company's next phase of growth by providing long-term capital to accelerate expansion across core segments, including CV and MSME lending, while strengthening balance sheet resilience through enhanced creditworthiness and funding capacity. Over time, this could culminate in a potential credit rating upgrade to AAA for SHFL.
- SHFL continues to deliver sector-leading performance, driven by broad-based loan growth, a diversified product mix, and disciplined risk management. Over the past 6-9 months, the franchise has outperformed peers, supported by sustained demand in the used-vehicle segment and resilience across its core customer base.
- Asset quality remained largely stable, despite seasonal softness in 1Q and weather-related disruptions in 2Q caused by heavy rainfall and flooding. These were short-lived, typically lasting 10-15 days, and were followed by a recovery. Importantly, SHFL's 30+ dpd held steady over the last two quarters, in contrast to peers, which experienced a 60-110bp rise over the same period.
- The operating environment is turning more supportive. A well-distributed monsoon, expectations of a healthy kharif harvest, and a pickup in rural income sentiment are already visible in enquiry and disbursement trends across the PV, 2W, and SCV/LCV segments. Further, recent GST reductions on select vehicle categories are clearly stimulating retail demand, with visible traction from late Sep'25 sustaining into Oct-Nov'25 and likely to extend through the remainder of 2HFY26.
- NIMs, which were under pressure over the past few quarters, are now showing signs of improvement as excess liquidity has largely tapered off. We expect NIMs to expand in 2HFY26 on liquidity normalization, with a further uplift in FY27 driven by a decline in leverage post equity infusion.
- We have assumed the capital from the preferential issue to be infused in FY27, post receipt of all requisite approvals, and have accordingly revised our earnings estimates. We increase our FY26/FY27 EPS estimates by ~10%/17%, driven primarily by lower leverage and further supported by a modest uplift from improved AUM growth prospects.**
- We expect SHFL to deliver a PAT CAGR of ~25% over FY25-28E and an RoA/RoE of 3.8%/13.2% by FY27. Reiterate our BUY rating on the stock with a TP of INR1,100 based on 2x Mar'28E P/BV.**

Strengthen the company's credit profile and materially improve the likelihood of a credit rating upgrade.

MUFG's entry marks a key strategic inflection point

- We believe MUFG's entry represents a meaningful strategic upgrade for SHFL, with positive implications for both market positioning and long-term profitability. The identity and balance sheet strength of a global strategic partner can play a decisive role in shaping a lender's competitive advantage, particularly in a tightening regulatory and funding environment.
- In our view, MUFG's entry will create multiple structural advantages for SHFL: a) Strengthen the company's credit profile and materially improve the likelihood of a credit rating upgrade to AAA; b) Enable a structural reduction in cost of funds (CoF) through enhanced balance sheet credibility; c) Expand SHFL's ability to competitively serve a wider customer base, including lower-yield new CV financing; d) Reinforce long-term franchise strength, market positioning, and competitive advantage, and e) unlock synergies in technology, innovation, and customer engagement, driving sustainable growth.
- With MUFG's equity capital infusion, we have modestly increased our AUM growth assumptions, as the presence of a strong strategic partner is expected to enhance the company's ability to address a broader customer spectrum and scale more competitively across segments. We model an AUM CAGR of ~18% over FY25-FY28 (compared to a 16.5% AUM CAGR previously).

NIMs to expand ~60bp by FY27E



Rural demand momentum and GST tailwinds to drive stronger growth

- Rural conditions remain supportive, aided by a well-distributed monsoon and expected improvement in kharif output, which should strengthen rural incomes and spending. Recent GST rate cuts have also triggered a clear pickup in demand since late Sep'25, with momentum maintained through Oct and likely to continue into Nov-Dec'25.
- SHFL has seen a meaningful improvement in enquiries and disbursements across PVs, 2Ws, and SCV/LCVs since late Sep'25, with momentum sustained through Oct and likely to continue into Nov-Dec'25. These trends position the company for stronger, broad-based loan growth in 2HFY26.
- SHFL is sharpening its focus on gold loans by appointing a senior leader to drive the segment and expanding its standalone gold loan branch network to enhance reach and accelerate growth.
- These factors should drive strong disbursement and AUM growth in 2HFY26. Management expects 17–18% AUM growth in the second half, supported by improving rural sentiment, GST-led affordability, and sustained traction across key product segments. We model an AUM growth CAGR of ~18% over FY25–FY28E.

NIMs: Liquidity normalization and decline in leverage to support expansion in FY27

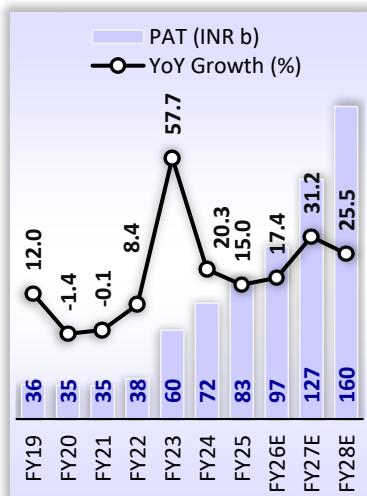
- After several quarters of NIM pressure, driven by elevated liquidity buffers, SHFL is now entering a phase of margin recovery. Liquidity has been reduced from the equivalent of six months of liability repayments to roughly three months, a normalization that occurred only in late September, implying that the margin benefit is yet to be fully reflected in reported numbers. We expect a more visible NIM uplift in 2HFY26, with momentum extending into FY27.
- Transmission from recent repo rate cuts remains limited for now, as ~87% of borrowings are fixed rate. However, as these liabilities mature over the next 12–18 months and are refinanced at lower rates, the benefit should gradually accrue. Additionally, repricing of MCLR-linked floating-rate loans and a rising

Liquidity normalization and a decline in leverage to support expansion in FY27.

Credit costs to remain around ~1.9% in FY26/FY27



PAT CAGR of ~25% over FY25-FY28E



contribution from high-yielding products (PL, gold loans, MSME finance) will support blended yield improvement.

- Further, the equity capital infusion is expected to materially reduce leverage, supporting margin expansion over FY27-FY28. We estimate leverage to decline from 5x in FY26E to 3.6x by FY28E.
- We expect a ~60bp NIM expansion over the next two years, driven by the normalization of surplus liquidity, a favorable product mix, expansion in spreads following the repo rate cut, and a reduction in leverage. We estimate an NIM (as % of total assets) of 8.2%/8.8% in FY26/FY27 (vs. 8.2% in FY25).

Asset quality resilient amid sector volatility

- SHFL delivered stable asset quality in 1HFY26, supported by robust on-ground collections and healthy vehicle utilization across its core customer base. While some regions faced 10-15 days of disruption due to heavy rainfall, the impact was limited and recovery was swift.
- The GST rate cut initially raised concerns about potential declines in used vehicle prices, which could have pressured collateral values and recoveries. However, OEMs reduced discounts on new CVs, preventing a sharp correction in used CV prices. The impact on PV pricing has been modest and manageable for the company.
- Given its strong collections infrastructure, familiarity-driven borrower engagement model, and a supportive operating environment, we expect SHFL to maintain stable asset quality. Additionally, a favorable monsoon, easing inflation, and improving freight and utilization levels should further support portfolio performance.

Valuation and view

- The entry of MUFG as a strategic partner represents a transformative milestone for SHFL, materially strengthening its capital base and enhancing its credit credibility. This strategic partnership not only de-risks the company's growth trajectory but also expands its ability to serve a broader customer base across the CV, MSME, and retail segments, while reinforcing long-term franchise positioning.
- SHFL has navigated recent asset-quality pressures better than most vehicle financiers, delivering stronger performance than peers. NIMs are expanding as excess liquidity normalizes, and growth is set to accelerate, supported by GST rate cuts, a favorable monsoon, and easing inflation.
- Despite strong stock performance (~35% in the past two months and ~70% since Jan'25, [when we identified SHFL as a top CY25 idea](#)), we see a further upside as the company enters a phase of stronger execution and profitability. Valuations have re-rated from ~1.5x to ~2.6x FY26E P/BV, with room for additional expansion if growth and asset quality trends hold. **At ~1.9x FY27E P/BV (post money), valuations remain attractive for ~25% PAT CAGR and RoA/RoE of ~3.8%/13.2% by FY28E. We reiterate BUY with a TP of INR 1,100 (2x Mar'28E BVPS).**

Exhibit 1: Valuation matrix for vehicle financiers (now diversified) under our coverage

Val summary	Rating	CMP (INR)	TP (INR)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Shriram Finance	Buy	902	1,100	51.7	54.2	343	486	3.2	3.6	16.1	14.3	17.5	16.6	2.6	1.9
Cholamandalam	Buy	1,645	2,000	59.9	78.7	356	433	2.4	2.6	19.0	20.0	27.5	20.9	4.6	3.8
MMFS	Buy	377	405	20.4	25.2	179	197	2.0	2.2	12.7	13.4	18.5	15.0	2.1	1.9

Story in charts

Exhibit 2: Expect AUM CAGR of 18% over FY25-28

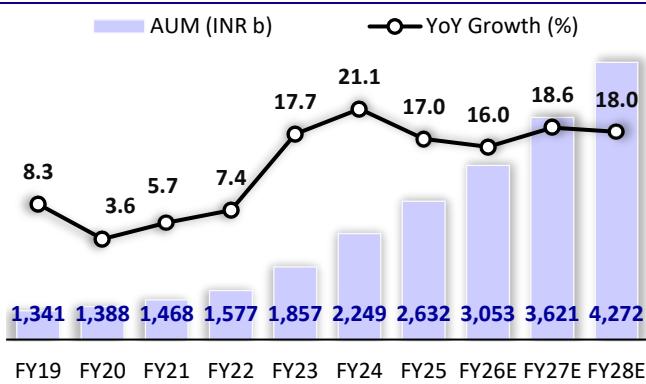


Exhibit 3: Expect spreads to moderate in FY26

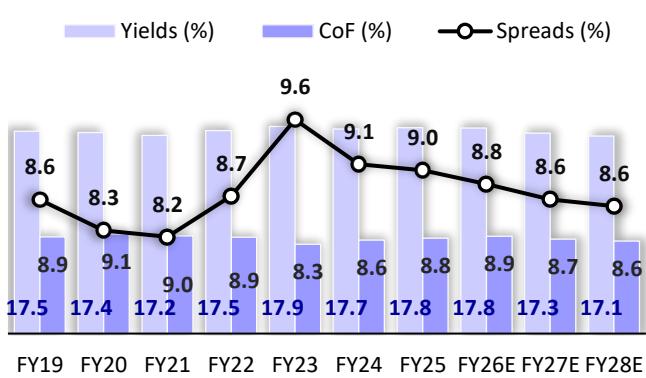


Exhibit 4: NIMs to expand ~60bp by FY27E, driven by a decline in leverage and liquidity normalization

NIM on avg. assets (%)

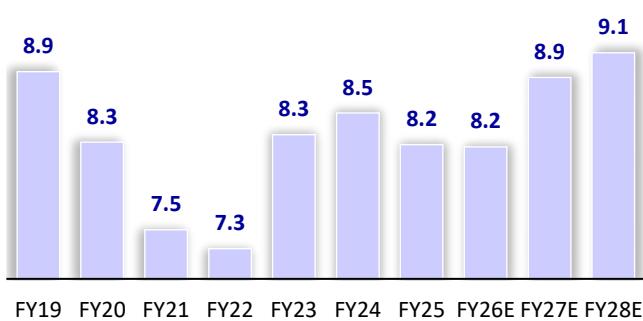


Exhibit 5: Cost ratios to improve going forward

CIR (%) Opex/ avg AUM (%)

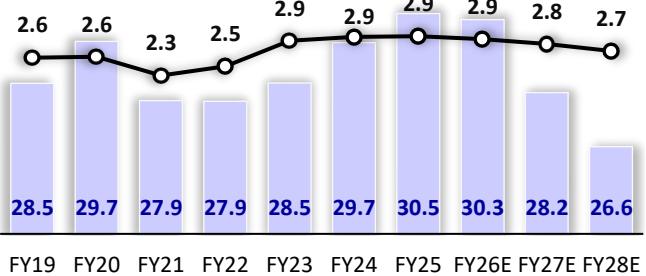


Exhibit 6: Asset quality continues to improve

GNPA (%) NNPA (%) PCR (%)

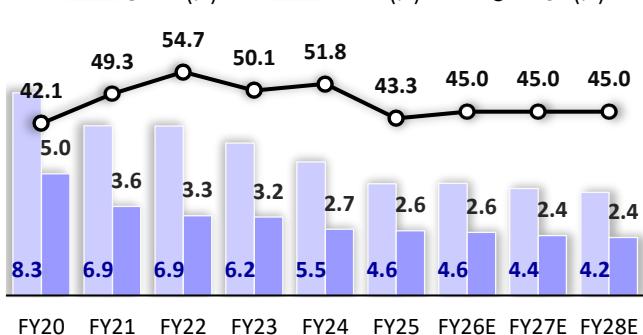


Exhibit 7: Credit costs to remain around ~1.9% in FY26/FY27

Credit Cost (% of avg assets)

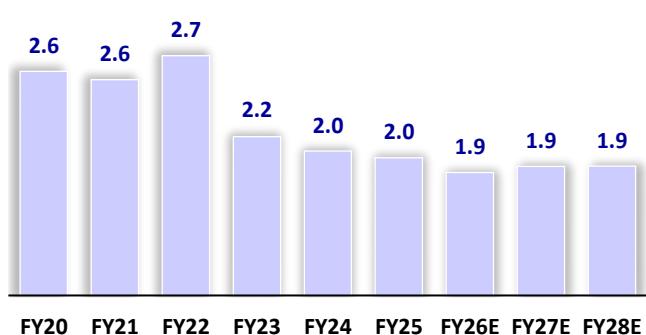


Exhibit 8: PAT CAGR of ~25% over FY25-FY28E

PAT (INR b) YoY Growth (%)

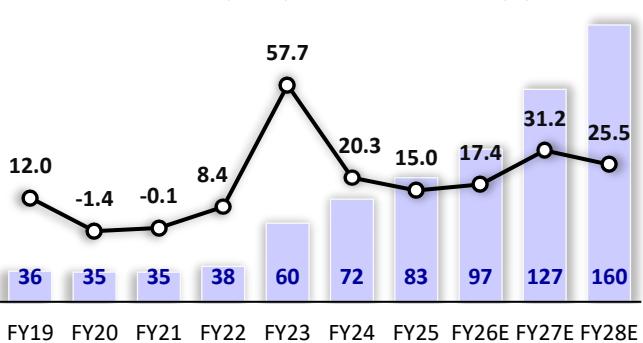
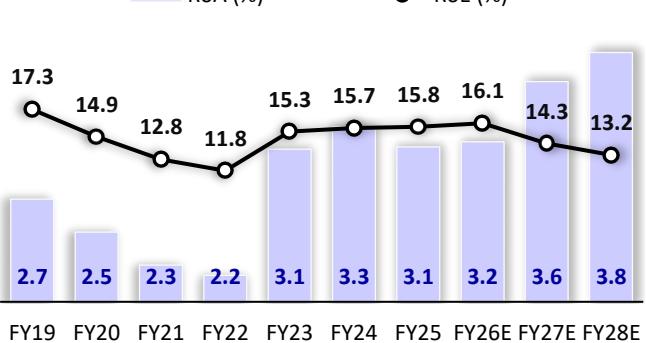


Exhibit 9: RoA/RoE of 3.8%/13.2% in FY27E

RoA (%) RoE (%)



Source: MOFSL, Company

MUFG's entry marks a key strategic inflection point

- The Board of SHFL has approved a proposal to raise about INR396.2b from MUFG Bank Ltd., a Japan-based bank, through a preferential issue of equity shares. Under this transaction, the company will issue around ~471m fully paid equity shares with a face value of INR2 each, at an issue price of INR840.93 per share. Upon completion, MUFG will hold ~20% stake in the company on a fully diluted basis and will be classified as a public shareholder.
- **This landmark transaction highlights SHFL's position as India's second-largest retail NBFC by AUM and marks a major milestone for the Indian financial services sector by:**
 - a. Representing the largest FDI in an Indian financial services company
 - b. Reinforcing confidence in the sector's fundamentals and growth potential
 - c. Strengthening SHFL's capital base and accelerating its growth trajectory.

Key terms and conditions of the transaction

- The preferential issue of equity shares will be undertaken for cash consideration.
- The completion of the preferential issue depends on satisfying several regulatory and shareholder approvals, including a) Shareholders' consent; b) Approvals from the RBI and CCI; c) In-principal approvals from BSE and NSE, and d) Compliance with the terms set out in the investment agreement.
- The shareholders' agreement includes a clause that prevents Shriram Ownership Trust (SOT) from competing with or soliciting clients of the company's lending and credit business. In return, MUFG will pay SOT a one-time, non-recurring fee of USD200m, subject to approval by the company's shareholders. The Board noted and approved the payment of the non-compete and non-solicit fee to SOT, a promoter of SHFL, subject to the approval of the public shareholders of the company.

The investment also comes with certain special rights granted to the investor (MUFG) as part of the agreement.

- **Board Representation:** Upon completion of the investment, MUFG has the right to nominate non-executive directors (Investor Directors) to SHFL's Board. The number of directors depends on MUFG's shareholding on a fully diluted basis.

Shareholding Threshold	Maximum number of Investor Directors
Less than 24.99% but not less than 15%	❖ Entitled to appoint two investor directors
Less than 15% but not less than 10%	❖ Entitled to appoint one investor director
Less than 10%	❖ The investor shall not be entitled to appoint any directors on the Board

- **Pre-emptive Rights:** MUFG has the right to subscribe to additional equity shares to maintain its pro-rata ownership in SHFL.
- **Appointment of MUFG personnel:** From the completion date, MUFG can second up to three of its personnel to SHFL. After six months, an additional three personnel can be seconded. These secondees cannot be designated as

senior management or key management personnel. The terms of secondment will be mutually agreed upon by SHFL and MUFG.

- **Threshold for Rights:** MUFG's special rights will lapse if its holding falls below 10% of the fully diluted share capital.

Other terms and conditions of the transaction

- Shareholders (excluding Sanlam entities) are subject to a three-year lock-in, while Sanlam entities have a one-year lock-in. Right of First Offer (ROFO) applies when other parties (excluding Sanlam) sell shares after the lock-in.
- Other parties have a 48-month standstill, restricting acquisition of additional equity, except for pro-rata rights issues or restructuring.
- The investor has a 12-month lock-in on transfers to third parties (affiliate transfers allowed) and a 24-month restriction on secondary market purchases.
- While holding at least 10% of the company, the investor cannot make a significant investment (20% or more) in any Indian NBFC exclusively engaged in a competing business, except for pre-existing investments or its banking business in India.

Intimation on Shriram Capital Private Limited's in-principal intent to explore a potential restructuring

- Shriram Capital Private Limited (the holding company of SHFL) has informed that its Board has, on an in-principal basis, decided to explore the possibility of separating or reorganizing its lending/credit business from its other businesses. **This is currently at a very early and exploratory stage, and no final decision, structure, or timeline has been approved.**
- Any restructuring, if pursued, will be subject to detailed evaluation and all required approvals under applicable laws and regulations.

The shareholding pattern post capital raise will be as follows:

Exhibit 10: Current shareholding pattern of SHFL

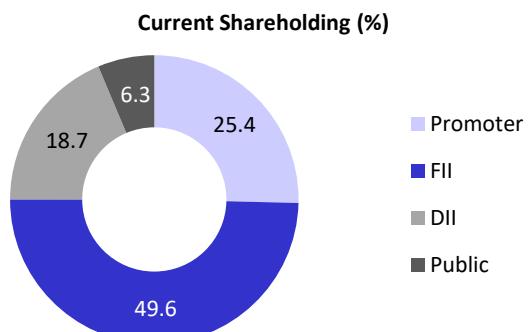
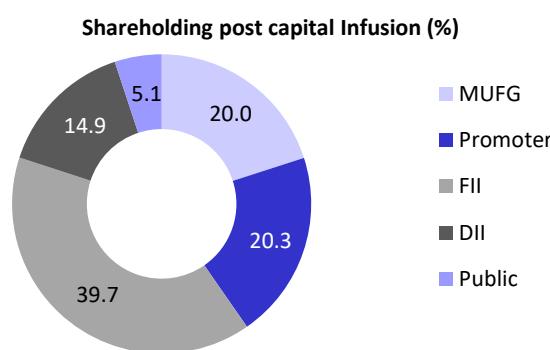


Exhibit 11: Shareholding pattern post capital raise by MUFG



Source: MOFSL, Company

Source: MOFSL, Company

Why does a strategic investor matter?

- For a franchise of SHFL's scale, market positioning, and profitability profile, the identity and strength of the promoter group can meaningfully influence long-term competitive advantage.

- A strong strategic partner like MUFG could bolster SHFL's franchise across three critical dimensions:

Enhanced probability of a credit rating upgrade

SHFL currently enjoys strong domestic credit ratings (AA+ long-term), but a further upgrade remains an important milestone that could meaningfully lower its funding costs. The entry of MUFG as a strategic investor, with its deep financial strength and global expertise, can:

- Strengthen the balance sheet profile
- Improve perceived capital resilience
- Support a transition toward the AAA territory over time

Even a partial improvement in credit perception would translate into lower borrowing spreads.

Lower CoF → Stronger competitive positioning

A meaningful reduction in CoF carries multi-layered benefits:

- Enables SHFL to serve a wider customer base, especially borrowers upgrading from older used vehicles to new vehicles
- Supports entry into lower-yield segments such as new CVs, without sacrificing spreads
- Improves customer retention across cycles
- Strengthens SHFL's ability to compete vis-à-vis banks in the premium yield spectrum

For a franchise deeply embedded in the used and emerging-market borrower segment, a lower CoF significantly enhances strategic flexibility.

Positive influence on long-term growth and margin profile

With enhanced capital strength and borrowing efficiency, SHFL could:

- Accelerate disbursements in high-quality customer pools
- Deepen penetration in new CV financing (a large and structurally attractive market)
- Gain incremental AUM share (even 1% share of the new CV market adds 1-2% AUM growth, according to our estimates)

Assessment of the new CV industry landscape, overall market size, and SHFL's potential market share opportunity

- We anticipate an additional 1-2% increase in AUM growth from FY27 onwards, driven by the company's ability to better cater to new CV financing. Even if SHFL captures just about 1-2% of the total new CV financing market, it would translate into an additional 1-2% AUM growth.
- Over time, this could also enhance customer retention, expand cross-sell opportunities, and create a more balanced mix between used and new CV financing, structurally improving SHFL's growth visibility and profitability.

Exhibit 12: Analysis of the new CV industry and total market size

Particulars	Amount
Total volumes sold in FY25 (in units)	9,57,870
Total volumes sold in 1HFY26 (in units)	4,63,502
Total volumes in FY26 (Assuming Pro Rata) (A)	9,27,004
Expected growth in FY27 (B)	5%
Total volumes in FY27E (C= A*B)	9,73,354
Average selling price (INR m) (D)	3.0
Total addressable market (INR m) (C*D)	29,20,063
Total addressable market (INR b)	2,920
Assume SHFL takes 1% market share (INR b)	29

Source: MOFSL, Company

Exhibit 13: Key metrics of the company pre- and post-MUFG's entry

Particulars	Base case	Post MUFG's entry
AUM CAGR- F25-FY28E (%)	16	18
PAT CAGR- F25-FY28E (%)	18	25
NIMs on assets in FY28E (%)	8.6	9.1
CoF in FY28E (%)	8.6	8.6
EPS in FY28E (INR)	73	68
BVPS in FY28E (INR)	452	543
RoA in FY28E (%)	3.4	3.8
RoE in FY28E (%)	17.3	13.2

Source: MOFSL, Company

Growth drivers: Rural momentum, gold loans, cross-sell, and personal loans

SHFL has entered 2HFY26 with multiple synchronized growth engines—rural demand, GST-led affordability improvements, gold loan expansion, cross-sell synergies, and a carefully recalibrated personal loan strategy—each strengthening at the same time. These drivers collectively support the company's guided 17–18% AUM growth for 2HFY26 and reinforce SHFL's long-term compounding potential.

Rural demand momentum: A stronger foundation for growth

The operating backdrop in rural markets has turned incrementally supportive, driven by:

- A well-distributed monsoon
- Expected improvement in Kharif crop output
- Stabilizing inflation
- Greater visibility on household cash flows

These trends have led to broad-based recovery across vehicle categories: two-wheelers, passenger vehicles, and small and light commercial vehicles.

From late Sep'25 onward, SHFL has seen a clear uplift in enquiries, sanctions, and disbursements, with momentum sustained through Oct-Nov'25 and expected to continue into December.

GST rate cuts on select vehicle segments have further increased affordability, providing a second tailwind to demand in both rural and semi-urban geographies. Rural demand is no longer merely stable—it is accelerating, and SHFL is well-positioned to capitalize on this cycle.

Gold loans: A high-yield engine set for rapid scaling

- SHFL's gold loan business is gaining momentum. The company is expanding its addressable customer base by offering loans against lower-carat gold jewelry and plans to scale through standalone gold loan branches.
- To strengthen its focus, SHFL has designated one of its Regional Heads to lead the Gold Loan vertical. The company intends to roll out a series of compact, small-format branches (200-250 sq. ft.) dedicated exclusively to gold loans, typically managed by 3-4 employees, to drive scale and improve reach.

Cross-selling synergies: Merger benefits now flowing through

- The merger has enabled SHFL to cross-sell non-auto products that were previously distributed through SCUF's branch network. Prior to the merger, gold and MSME loans were available at only 500-600 branches; post-merger, these offerings have been scaled up to 1,000 branches.
- SHFL has effectively capitalized on cross-selling opportunities within its non-auto portfolio, creating a more favorable loan mix with an increased focus on MSME and gold loans. The company targets to expand its gold loan offering by extending it to additional ~50-100 branches each quarter, with the eventual objective of offering gold loans from over 2,000 branches. As a result, the share

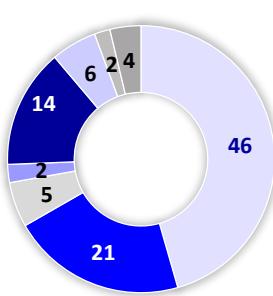
of non-CV products in the AUM mix increased to ~26% as of Sep'25 from ~20% in FY22. We expect this proportion to further rise to ~30% by FY28.

- Cross-sell is no longer a theoretical merger synergy; it is now a meaningful contributor to SHFL's growth and margin profile.

Personal loans: Growth resumes with a calibrated, data-led approach

- SHFL paused aggressive growth in its personal loan (PL) portfolio during FY25 following heightened regulatory scrutiny of unsecured lending. Importantly, no material stress emerged in its existing PL book, validating the company's underwriting and portfolio selection approach.
- Growth has now resumed, driven by cross-selling to existing 2W customers with strong repayment track records, highly selective sourcing to maintain asset quality, and strategic growth focused on yield enhancement without undue risk buildup.
- The rising contribution of PLs to the AUM mix will help enhance blended yields, supporting NIM expansion in FY26–27.

Exhibit 14: AUM mix as of Sep'25 (%)



CV

PV

CE

Farm equip

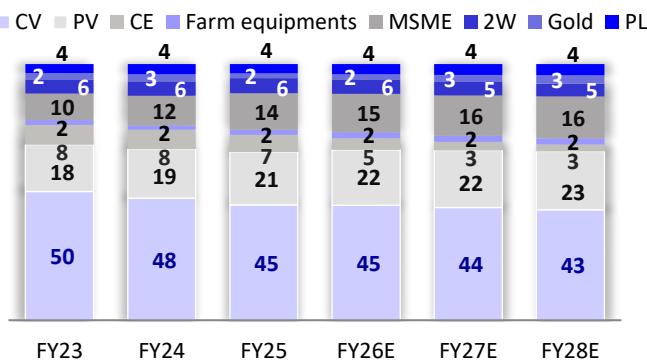
MSME

2W

Gold

PL

Exhibit 15: Share of CV mix continues to decline (%)



Source: MOFSL, Company

Source: MOFSL, Company

Broad-based, sustainable growth

- SHFL's growth is no longer dependent on a single product or cyclical upturn. Instead, the company is benefiting from a multi-engine growth architecture, combining cyclical rural revival, regulatory-driven demand uplift (GST cuts), structural expansion of gold and MSME lending, strong cross-sell economics, and disciplined and profitable personal loan growth.
- Overall, these drivers are expected to translate into strong disbursement and AUM growth in 2HFY26. Management is guiding for AUM growth of 16-17% in the second half of FY26, supported by improving rural sentiment, GST-led affordability benefits, and continued traction in gold loans and core vehicle finance segments.
- We model an AUM CAGR of ~16% in the CV segment and ~23% in the non-CV product segment over FY25-28E. Overall, the company is set for robust AUM growth across its diverse product range, and we expect a total AUM CAGR of ~18% over FY25-28E.

NIMs turning upward: Liquidity normalization, repricing tailwinds, product mix benefits, and a decline in leverage

SHFL is entering a phase where margin recovery is becoming a meaningful earnings driver, following several quarters of contraction tied to elevated liquidity buffers and the lagged transmission of rate cuts. The conditions supporting NIM expansion are now firmly in place.

Liquidity normalization will unlock margin headroom

- Over recent quarters, SHFL maintained liquidity equivalent to nearly six months of liability repayments, an intentionally conservative stance given the volatile operating environment. By late Sep'25, this buffer was reduced to roughly three months, restoring the company to a more normalized liquidity position.
- Because this normalization occurred only toward the end of the quarter, the benefit was not fully reflected in reported NIMs. As we move through 2HFY26, the impact should become more visible, providing a natural uplift to spreads and NIMs.

Repricing opportunity from fixed-rate and MCLR-linked borrowings

- ~87% of SHFL's borrowings are at fixed rates, which has limited the immediate transmission of the recent repo rate cut into a lower CoF. However, this presents an attractive repricing opportunity, as these fixed-rate borrowings mature and are refinanced over the next 12–18 months, providing a gradual but meaningful reduction in CoF.
- This progressive refinancing should support a multi-quarter NIM expansion cycle rather than a one-off adjustment.
- Apart from fixed-rate liabilities, SHFL also carries a meaningful proportion of MCLR-linked floating-rate loans. These loans are beginning to reflect lower benchmark rates, further easing CoF and complementing the benefits expected from refinancing.
- SHFL's long-term debt (domestic) is rated AA+ by CRISIL, and its long-term foreign borrowings are rated BB+/Stable by Fitch and S&P Ratings. Management is actively engaging with credit rating agencies for a credit rating upgrade, which could further reduce its cost of borrowings and expand NIMs.

High-yielding products bolstering blend

- SHFL's evolving product mix provides an incremental margin kicker, with three segments in particular standing out: a) gold loans, which are inherently high-yielding and scalable, b) MSME loans, which are supported by strong cross-sell channels and higher pricing power, c) personal loan growth, which is resuming in a calibrated manner post-regulatory caution, with the company focusing on low-risk customers.
- As the mix shifts toward these categories, blended portfolio yields should experience a modest but steady improvement.

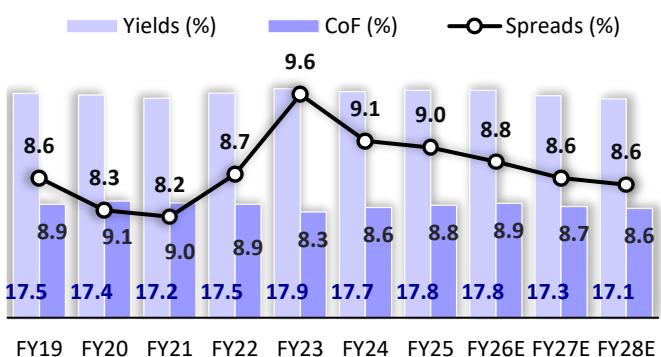
Decline in leverage post equity infusion to support NIM expansion

- The capital infusion of INR396.2b is expected to materially reduce leverage, supporting margin expansion over FY27-FY28. We estimate leverage to decline from 5x in FY26E to 3.6x by FY28.

Margins to expand ~60bp over the next two years

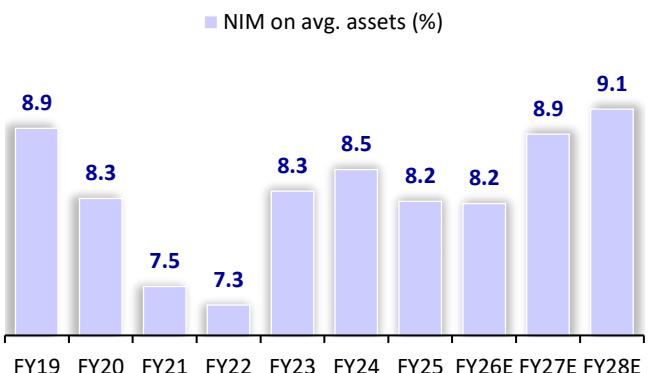
- We expect a ~60bp NIM expansion over the next two years, driven by a normalization in surplus liquidity, a favorable product mix, expansion in spreads from the repo rate cut, and a decline in leverage. We estimate NIM (as a % of total assets) of 8.2%/8.8% in FY26/FY27 (vs. 8.2% in FY25).
- This margin trajectory forms a key pillar of our expectation of ~25% PAT CAGR over FY25-28.

Exhibit 16: Expect spreads to moderate in FY26/FY27



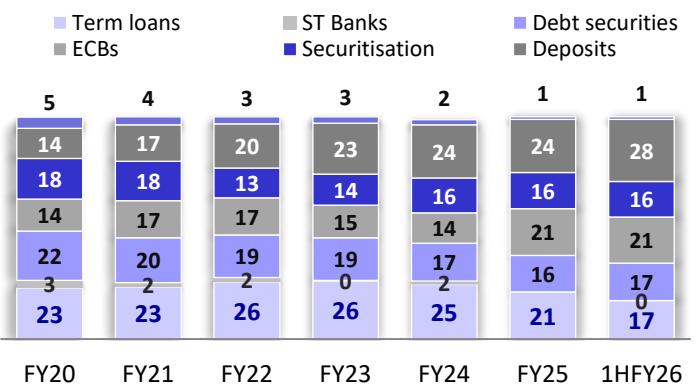
Source: MOFSL, Company

Exhibit 17: NIM to remain stable in FY26E and expand by ~60bp in FY27E (%)



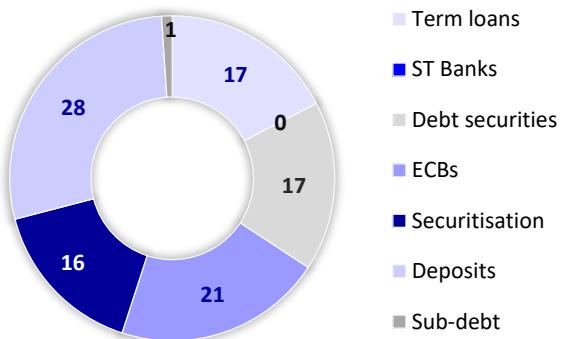
Source: MOFSL, Company

Exhibit 18: Share of deposits rose to ~28% as of Sep'25



Source: MOFSL, Company

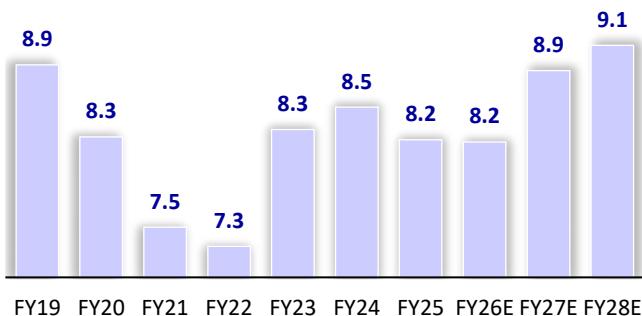
Exhibit 19: Well diversified borrowing mix (%)

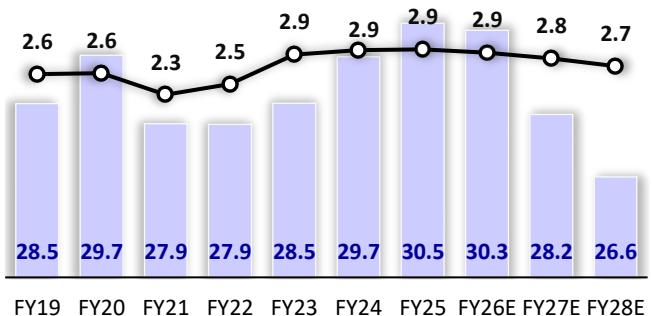


Source: MOFSL, Company, Note: Data as of Sep'25

Operating leverage to strengthen as productivity gains kick in

- Over the past couple of years, SHFL's opex ratio was elevated due to post-merger product rollouts and brand-building spends. With most of this expansion phase now behind it and a stronger focus on productivity underway, operating leverage should become more visible over the next couple of years. The company is also increasingly leveraging cross-selling opportunities, and with improved branch and employee efficiency, cost ratios are expected to continue moderating.
- The company is currently prioritizing productivity gains within its existing branch network and workforce rather than pursuing further expansion. In certain markets, branches were consolidated as part of a planned shift from footprint growth to enhancing operating efficiency and employee productivity. The impact of these measures is expected to become more evident from next year. We estimate the opex-to-avg. assets ratio to decline to ~2.6% by FY28 from ~2.7% in FY25.

Exhibit 20: NIMs to expand ~60bp in FY27E
█ NIM on avg. assets (%)

Exhibit 21: Cost ratios to improve going forward
█ CIR (%)

—○— Opex/ avg AUM (%)


Operating leverage + Margin expansion = Strong PPoP growth

With NIMs rising over FY27 and opex ratios moderating gradually, SHFL is well-positioned to deliver superior PPoP growth, reinforcing its earnings compounding story. The combination of margin tailwinds and operating leverage is expected to drive a meaningful acceleration in SHFL's PPoP trajectory over FY27-28.

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

SHFL's asset quality performance over the past several quarters underscores the fundamental strength of its borrower franchise, the depth of its on-ground collections network, and the stability of its operating model across cycles. While the broader vehicle finance industry encountered rising delinquencies, particularly in early buckets, SHFL's asset quality has remained notably stable, demonstrating the robustness of its underwriting and field processes.

Portfolio stability amid sector-wide volatility

- Despite weather-related disruptions and uneven vehicle utilization in certain pockets, SHFL's asset quality performance has remained within a narrow and steady range, reflecting the company's deep local knowledge and relationship-driven borrower engagement model.
- Short-lived disruptions in certain regions (typically 10–15 days due to heavy rains or flooding) were managed through rapid field interventions, high-frequency borrower communication, temporary restructuring support where appropriate, and intensified follow-ups in the early delinquency bucket. As a result, portfolio stress remained contained, and normal collection activity resumed quickly once conditions stabilized.

Structural advantages in SHFL's collections model

- Several long-standing strengths underpin SHFL's consistently strong asset quality. These include: a) deeply localized branch teams familiar with borrower behavior, b) long-tenor relationships built over multiple loan cycles, c) strong cultural emphasis on borrower engagement, d) high on-ground collections intensity, and e) well-established recovery teams and processes.
- These elements reduce volatility, enhance predictability, and support stable-to-improving credit metrics, even through adverse operating periods.

30+ DPD Metrics: Stability where peers saw pressure

- A key differentiator in recent quarters has been SHFL's 30+ DPD trajectory, which remained broadly unchanged, while several peers witnessed an increase of 60–110bp.
- This stability reflects a strong on-ground workforce with deep borrower familiarity, faster response cycles in disrupted markets, proven processes in used-vehicle and CV borrower segments, and a long-standing relationship-centric approach that reduces volatility during stress periods.
- Stable early-bucket performance provides a strong foundation for predictable credit costs over the coming quarters.

Product-level asset quality trends: Broad improvement

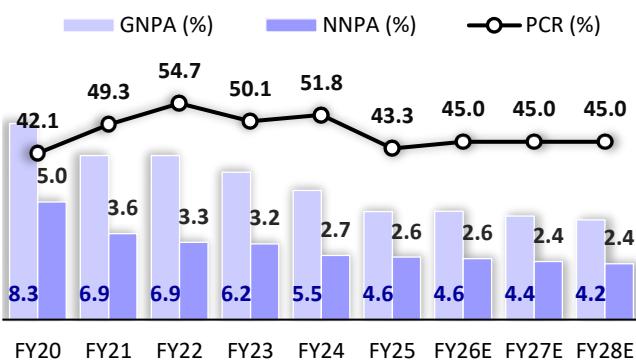
Performance across product categories has shown encouraging patterns:

- **Personal Loans:** GNPA ratios have improved over the last five quarters, validating SHFL's cautious stance in this segment last year and its disciplined cross-sell strategy focused on existing, low-risk customers.
- **Non-CV Products (MSME, PL, 2W):** These segments—despite being higher-yielding and typically higher-risk—have demonstrated stable-to-improving delinquency behavior, supported by better risk segmentation, data-driven underwriting, and frequent customer engagement touchpoints.
- **CV and Auto-Focused Products:** GNPA ratios in auto, farm equipment, and CV segments have gradually improved over the past five quarters. The temporary concern around GST-led normalization of used vehicle prices did not materialize meaningfully, as OEMs cut discounts on new CVs and secondary market pricing remained largely stable. This resulted in collateral values remaining largely firm, protected recovery values, and prevented any adverse impact on provisioning.

Credit costs set to remain within the guided range

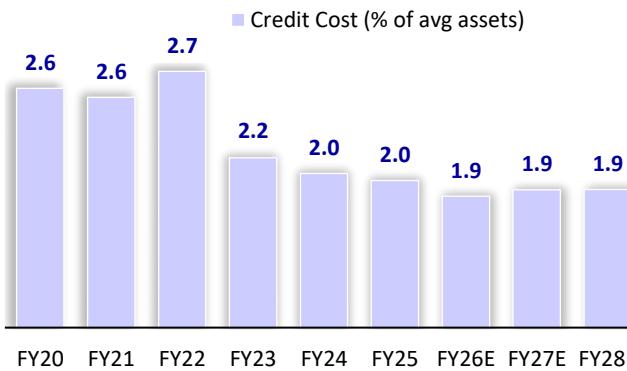
- SHFL's credit cost performance remains robust, with management reiterating its <2% credit cost guidance for FY26. We model credit costs at ~1.9% of average assets for FY26E-FY27E, supported by stable rural operating conditions, better freight availability, improved vehicle utilization, strengthening borrower cash flows, and sharper focus on early delinquency resolution.
- A further improvement is expected in GS3 ratios, with GNPA likely to moderate to ~4.4% by FY27E from ~4.6% in FY25.

Exhibit 22: Asset quality to improve marginally



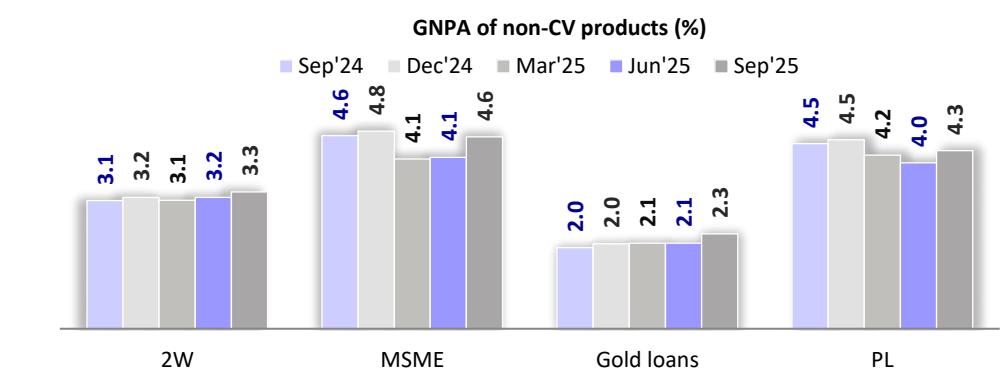
Source: MOFSL, Company

Exhibit 23: Expect credit cost around ~1.9% in FY26-27



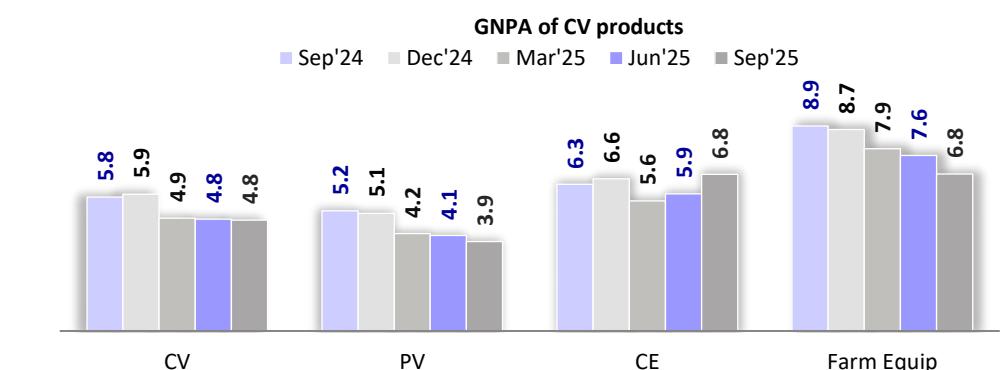
Source: MOFSL, Company

Exhibit 24: GNPA in personal loans exhibited a minor deterioration in the Sep'25 quarter



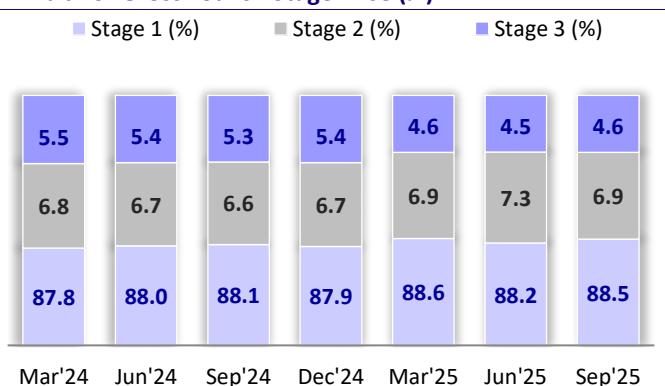
Note: Non-CV products for SHFL include MSME, Gold Loans, PL, and 2W

Exhibit 25: GNPA in auto products and farm equipment gradually improved over the last five quarters



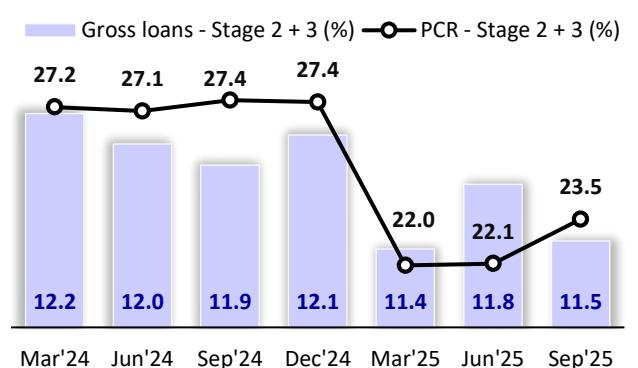
Note: CV products for SHFL include M&HCVs, LCVs, SCVs, PV, CE, and Tractors

Exhibit 26: Gross Loans - Stage-wise (%)



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

Exhibit 27: Gradual improvement seen in 30+dpd (%)



Source: MOFSL, Company

Valuation and view

- The entry of MUFG as a strategic partner represents a transformative milestone for SHFL, materially strengthening its capital base and enhancing its credit credibility. This strategic partnership not only de-risks the company's growth trajectory but also expands its ability to serve a broader customer base across the CV, MSME, and retail segments, while reinforcing long-term franchise positioning.
- SHFL has effectively navigated the transient asset-quality challenges that impacted most VFs over the past few quarters, with its performance notably stronger than peers. NIMs have begun to expand, aided by the normalization of excess liquidity on the balance sheet. Additionally, we expect growth to pick up, driven by factors such as the recent GST rate cuts, a favorable monsoon, and easing inflation.
- Despite strong stock performance (~35% in the past two months and ~70% since Jan'25, [when we identified SHFL as a top CY25 idea](#)), we see a further upside as the company enters a phase of stronger execution and profitability. Valuations have re-rated from 1.4x to ~2.6x one-year forward P/BV, with room for additional expansion if growth and asset quality trends hold. **At ~1.9x FY27E P/BV (post money), valuations remain attractive for an ~25% PAT CAGR and RoA/RoE of ~3.8%/13.2% by FY28E. We reiterate BUY with a TP of INR 1,100 (2x Mar'28E BVPS).**

Exhibit 28: PAT CAGR of ~25% over FY25-FY28E...

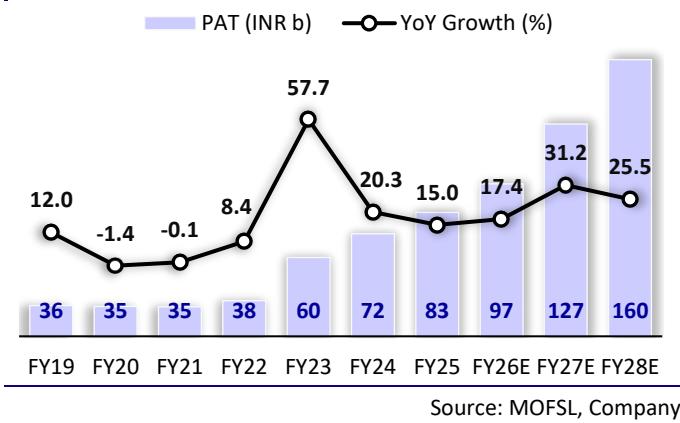
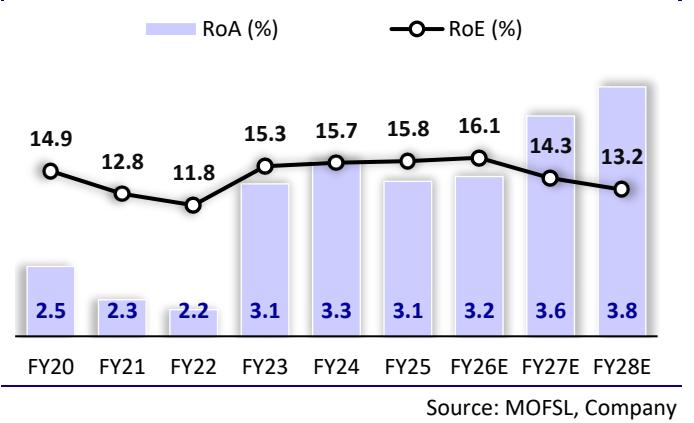


Exhibit 29: ...leading to an RoA/RoE of 3.8%/13.2% in FY28E

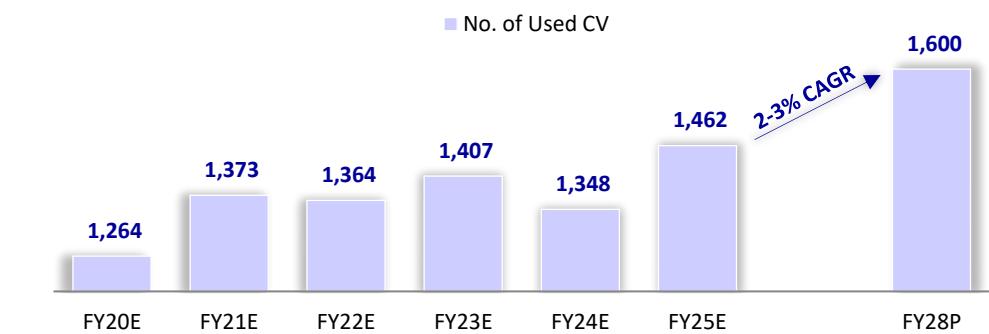


Industry outlook

Used commercial vehicle (CV) market

- According to CRISIL, there are ~1.46m used CVs currently on the road, with the ratio of used to new CVs at 1.75x. Sales of used CVs in India have witnessed a CAGR of ~3% from FY20 to FY25. This growth has been driven by rising prices of new CVs, making used CVs a viable choice for small- and medium-sized fleet operators due to their lower acquisition costs.

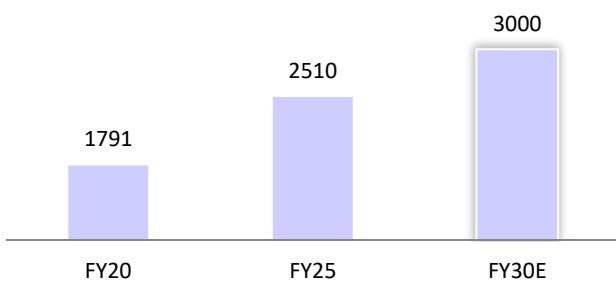
Exhibit 30: No. of used CVs to post a 2-3% CAGR over FY25-FY28P



Source: CRISIL; MOFSL

Exhibit 31: Used CV sales volumes will continue to rise

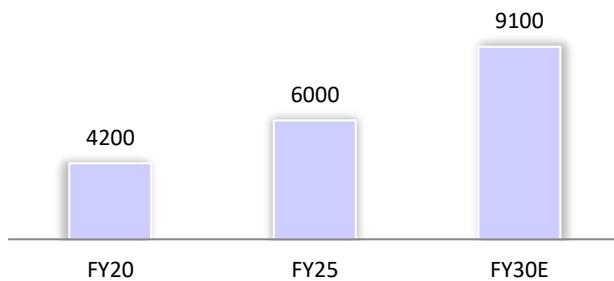
■ FY20 ■ FY25 ■ FY30E



Source: MOFSL, MUFG

Exhibit 32: Used PV sales volumes will continue to rise

■ Used PV Sales volume (In '000)



Source: MOFSL, MUFG

Key growth drivers of used commercial vehicle sales in India

- Used CVs continue to gain traction as they offer significantly higher affordability compared to new vehicles, making them particularly attractive to small and mid-sized businesses. Their lower upfront cost opens the market to a wider customer base that may not have the financial bandwidth to invest in brand-new commercial assets.
- The economics are further strengthened by the depreciation cycle: While new CVs lose value rapidly in the initial years, used vehicles have already absorbed this decline, making them a far more cost-effective choice. Improvements in manufacturing quality and technology have also enhanced the reliability of used CVs, increasing customer confidence in their durability and performance.
- Additionally, the rapid expansion of MSMEs, supported by favorable policies and a buoyant economic environment, has fueled demand for used CVs as a practical, affordable solution to address the logistics and transportation needs of these businesses.

Right to win for NBFCs

- NBFCs have traditionally dominated CV financing, driven by their strong connection with small fleet operators and first-time buyers, deeper understanding of local market dynamics, faster loan processing, higher LTV offerings, and greater risk-taking appetite. Banks, by contrast, tend to focus on large fleet operators with superior credit profiles and gravitate toward big-ticket MHCV financing.
- Although the sector experienced stress and elevated delinquencies in the past two years, asset quality improved in FY23 as economic activity recovered, enabling banks to regain market share across both large and small fleet segments through sharper pricing and higher ticket sizes. However, banks remain cautious toward riskier CV sub-segments, allowing NBFCs to preserve their advantage in higher-risk customer pools and continue building stronger customer franchises that can support sustainable growth going forward.

Exhibit 33: New CV loans AUM to post an 11% CAGR over FY25-FY27P

■ Commercial Vehicles AUM (INR t)

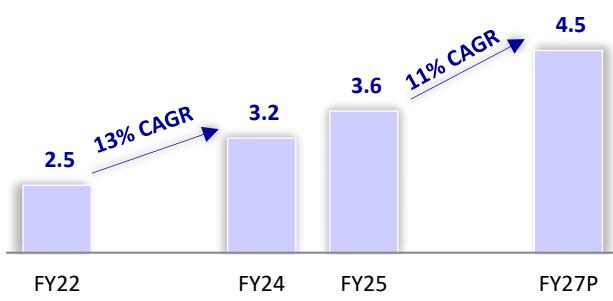
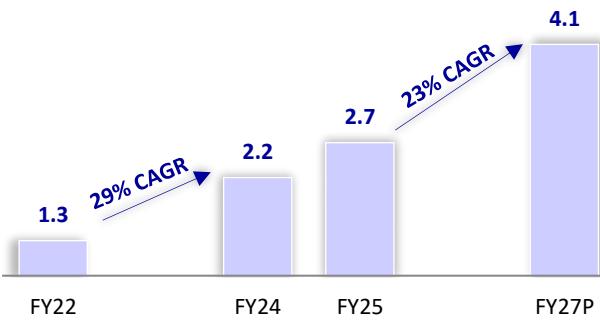


Exhibit 34: New Cars and UV AUM to post a 23% CAGR over FY25-FY27P

■ Cars and Utility Vehicles AUM (INR t)

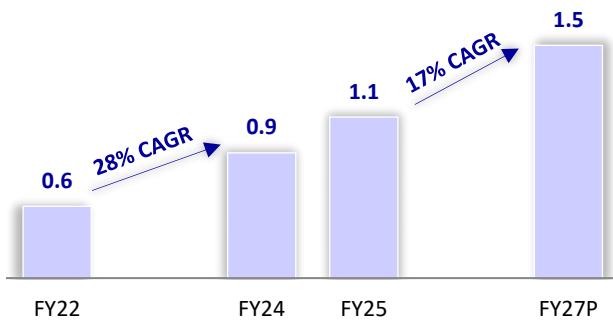


Source: MOFSL, CRISIL

Source: MOFSL, CRISIL

Exhibit 35: New 2W-3W loans AUM to post a 17% CAGR over FY25-FY27P

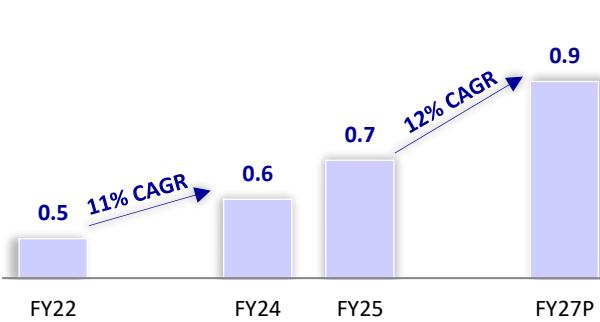
■ Two-three wheelers AUM (INR t)



Source: MOFSL, CRISIL

Exhibit 36: New tractor AUM to post a 12% CAGR over FY25-FY27P

■ Tractors AUM (INR t)



Source: MOFSL, CRISIL

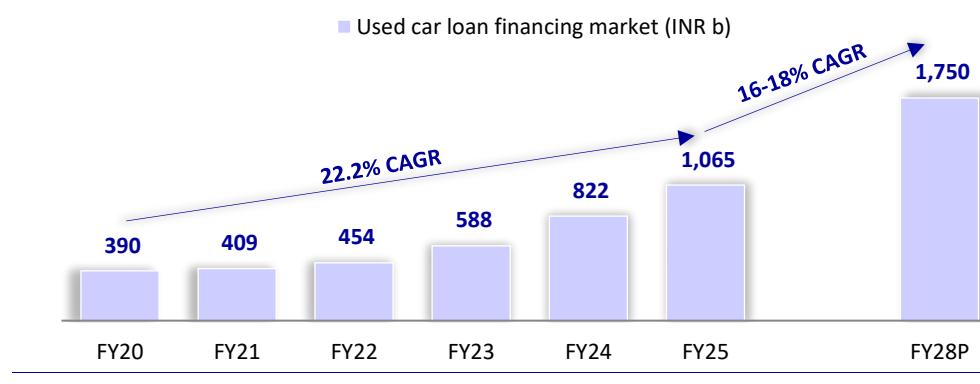
Used car loan financing market

- The used car financing market posted a robust 22.2% CAGR during FY20-25 and is expected to maintain a healthy 16-18% CAGR over FY25-28. As of FY25, private banks led the segment with a 50.4% market share, while NBFCs accounted for 40.8%. Over the past five years, banks' dominance in the segment

has sharply declined from 65.6% in FY20, creating space that has increasingly been occupied by NBFCs focused on this segment.

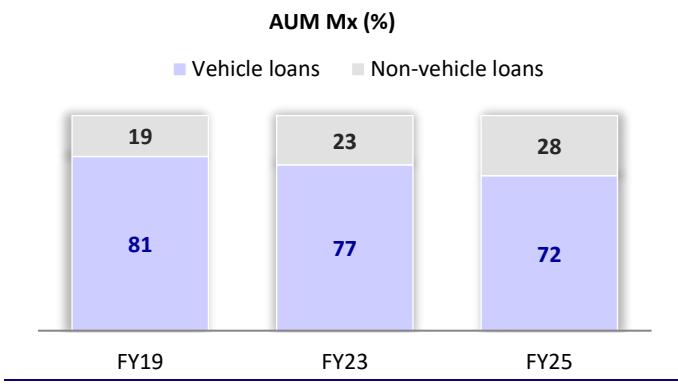
- The used car market primarily attracts first-time buyers seeking cost-efficient mobility, but in recent years, the luxury used car segment has emerged as a major growth engine. This momentum is expected to continue, as higher new car sales create a steady pipeline of vehicles entering the used market.
- As demand rises, India's traditionally unorganized used car ecosystem is rapidly formalizing. Small brokers, semi-organized dealers, and direct C2C channels are becoming more structured, while OEMs and new-car dealerships are aggressively expanding into the certified used car space. Certified vehicles, which undergo comprehensive inspections, are gaining strong consumer preference by offering reliability and a near-new ownership experience.

Exhibit 37: Used car loan portfolio expected to clock a 16-18% CAGR over FY25-FY27



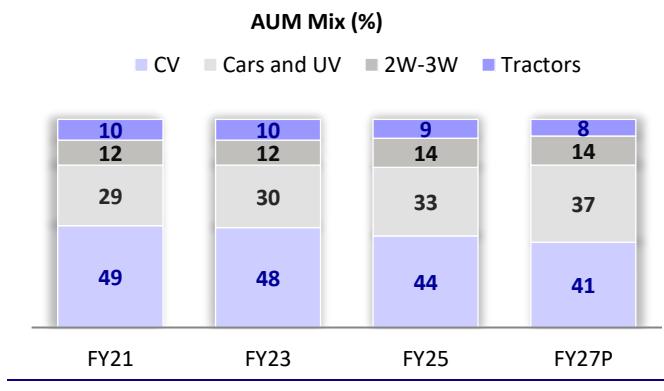
Source: MOFSL, CRISIL

Exhibit 38: Share of non-vehicle loans rising for vehicle financiers



Source: MOFSL, CRISIL

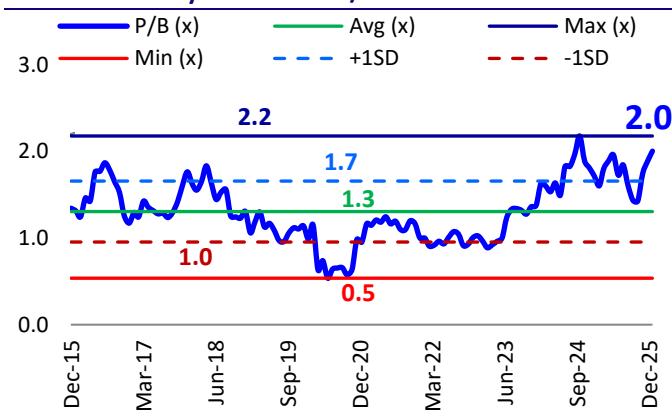
Exhibit 39: Share of CV loans continues to decline in the overall vehicle finance AUM mix



Source: MOFSL, CRISIL

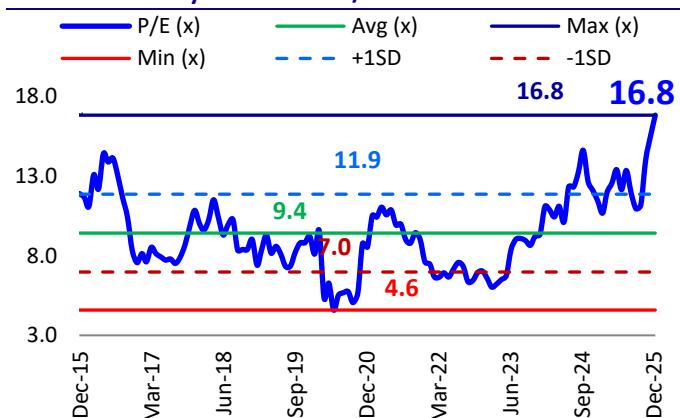
- The portfolio composition is evolving, with the share of cars and utility vehicles expected to increase from about 29% of total vehicle AUM in FY21 to ~37% by FY27. At the same time, vehicle financiers are steadily broadening their product mix beyond their traditional domain. The proportion of non-vehicle loans has risen from 19% in FY19 to around 28% in FY25, driven by growth in home loans, LAP, MSME credit, and unsecured products. This diversification is enabling lenders to smooth earnings and mitigate the cyclical nature inherent in pure vehicle finance portfolios.

Exhibit 40: One-year forward P/B



Source: MOFSL, Company

Exhibit 41: One-year forward P/E



Source: MOFSL, Company

Exhibit 42: We raise our FY26/FY27 EPS estimates by ~10%/17% primarily due to decline in leverage and improved growth prospects

INR B	Old Est.			New Est.			Change (%)		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII (incl. assignments)	253.1	299.0	349.8	253.1	314.4	382.4	0.0	5.2	9.3
Other Income	17.2	18.6	20.2	17.2	18.6	20.2	0.0	0.0	0.0
Total Income	270.3	317.6	370.0	270.3	333.1	402.5	0.0	4.9	8.8
Operating Expenses	82.0	93.9	107.0	82.0	93.9	107.0	0.0	0.0	0.0
Operating Profits	188.3	223.7	263.0	188.3	239.2	295.5	0.0	6.9	12.4
Provisions	58.4	68.3	79.8	58.4	68.8	81.7	0.0	0.9	2.4
PBT	129.9	155.5	183.2	129.9	170.4	213.8	0.0	9.6	16.7
Tax	32.7	39.2	46.2	32.7	42.9	53.9	0.0	9.6	16.7
PAT	97.1	116.3	137.0	97.1	127.4	159.9	0.0	9.6	16.7
AUM	3,053	3,566	4,152	3,053	3,621	4,272	0.0	1.5	2.9
Loans	2,856	3,350	3,909	2,856	3,403	4,028	0.0	1.6	3.0
Borrowings	2,549	2,978	3,458	2,549	2,697	3,230	0.0	-9.4	-6.6
NIM	8.9	9.0	9.1	8.9	9.4	9.7			
Credit Cost (%)	2.2	2.2	2.2	2.2	2.2	2.2			
RoA	3.2	3.3	3.4	3.2	3.6	3.8			
RoE	16.1	16.8	17.3	16.1	14.3	13.2			

Source: MOFSL, Company

Exhibit 43: DuPont analysis

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	15.7	14.7	14.4	14.8	15.2	15.2	15.3	15.3	15.1
Interest Expended	7.4	7.2	7.1	6.5	6.7	7.0	7.1	6.4	6.0
Net Interest Income	8.3	7.5	7.3	8.3	8.5	8.2	8.2	8.9	9.1
Non-interest income	0.4	0.3	0.5	0.6	0.6	0.6	0.6	0.5	0.5
Net Total Income	8.6	7.8	7.8	8.9	9.2	8.8	8.8	9.4	9.6
Operating Expenses	2.6	2.2	2.2	2.5	2.7	2.7	2.7	2.6	2.5
- Employee expenses	1.3	1.1	1.1	1.3	1.5	1.4	1.4	1.4	1.3
- Other expenses	1.2	1.1	1.0	1.2	1.3	1.3	1.3	1.3	1.2
PPoP	6.1	5.6	5.6	6.4	6.4	6.1	6.1	6.7	7.0
Provisions/write offs	2.6	2.6	2.7	2.2	2.0	2.0	1.9	1.9	1.9
PBT	3.4	3.0	2.9	4.2	4.4	4.1	4.2	4.8	5.1
Tax	0.9	0.8	0.7	1.1	1.1	1.0	1.1	1.2	1.3
RoA	2.5	2.3	2.2	3.1	3.3	3.1	3.2	3.6	3.8
Avg. Leverage	5.9	5.7	5.4	4.9	4.8	5.1	5.1	4.0	3.5
RoE	14.9	12.8	11.8	15.3	15.7	15.8	16.1	14.3	13.2

Source: MOFSL, Company

Financials and valuations

Income Statement (INR M)									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	2,19,646	2,26,997	2,48,605	2,86,074	3,35,997	4,03,076	4,71,769	5,42,659	6,35,763
Interest Expenses	1,04,105	1,11,881	1,22,668	1,25,458	1,48,061	1,84,546	2,18,669	2,28,230	2,53,389
Net Interest Income	1,15,541	1,15,116	1,25,936	1,60,616	1,87,935	2,18,531	2,53,100	3,14,429	3,82,374
Change (%)	0.1	-0.4	9.4	27.5	17.0	16.3	15.8	24.2	21.6
Other Operating Income	4,748	4,514	9,214	11,648	13,648	15,268	16,914	18,372	19,868
Other Income	235	237	227	307	332	251	263	276	290
Total Income	1,20,524	1,19,867	1,35,378	1,72,571	2,01,915	2,34,049	2,70,278	3,33,076	4,02,532
Change (%)	1.9	-0.5	12.9	27.5	17.0	15.9	15.5	23.2	20.9
Total Operating Expenses	35,803	33,500	37,805	49,131	59,895	71,440	82,008	93,870	1,06,983
Change (%)	6.3	-6.4	12.8	30.0	21.9	19.3	14.8	14.5	14.0
Employee Expenses	18,585	16,699	19,695	25,061	32,156	36,512	41,623	48,699	56,491
Depreciation	2,232	2,172	2,137	5,242	5,688	6,453	6,927	7,363	7,769
Other Operating Expenses	14,986	14,629	15,973	18,828	22,051	28,475	33,458	37,808	42,723
Operating Profit	84,721	86,367	97,573	1,23,441	1,42,020	1,62,609	1,88,269	2,39,207	2,95,549
Change (%)	0.1	1.9	13.0	26.5	15.1	14.5	15.8	27.1	23.6
Total Provisions	36,786	39,693	47,485	41,592	45,183	53,117	58,407	68,849	81,746
% Loan loss provisions to Avg loans ratio	2.7	2.8	3.1	2.4	2.2	2.3	2.2	2.2	2.2
PBT	47,935	46,674	50,088	81,849	96,836	1,09,493	1,29,862	1,70,357	2,13,803
Tax Provisions	12,913	11,692	12,164	22,056	24,932	26,776	32,725	42,930	53,878
Tax Rate (%)	26.9	25.1	24.3	26.9	25.7	24.5	25.2	25.2	25.2
PAT	35,022	34,982	37,925	59,793	71,905	82,716	97,137	1,27,427	1,59,924
Change (%)	-1.4	-0.1	8.4	57.7	20.3	15.0	17.4	31.2	25.5
PAT (including exceptional gains)	35,022	34,982	37,925	59,793	71,905	97,610	97,137	1,27,427	1,59,924

Balance Sheet (INR M)									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2,929	3,191	3,371	3,744	3,758	3,761	3,761	4,703	4,703
Reserves & Surplus	2,47,288	2,91,764	3,43,760	4,29,322	4,81,926	5,59,045	6,41,139	11,37,435	12,71,040
Net Worth	2,50,217	2,94,954	3,47,132	4,33,066	4,85,684	5,62,806	6,44,900	11,42,138	12,75,743
Borrowings	11,75,376	13,17,617	14,51,285	15,79,063	18,58,411	23,41,973	25,49,395	26,97,274	32,29,954
Change (%)	6.4	12.1	10.1	8.8	17.7	26.0	8.9	5.8	19.7
Other Liabilities	25,436	26,317	23,320	24,509	28,665	30,551	33,606	36,967	40,663
Total Liabilities	14,51,029	16,38,888	18,21,754	20,36,639	23,72,760	29,35,329	32,27,901	38,76,378	45,46,360
Cash and bank balances	1,03,773	2,16,562	2,29,679	1,58,174	1,08,126	2,13,657	1,26,637	2,18,745	2,44,175
Investments	35,326	42,152	86,455	85,651	1,06,566	1,55,987	1,24,790	1,18,550	1,24,478
Loans	12,88,442	13,57,232	14,76,890	17,19,846	20,79,294	24,53,928	28,55,797	34,03,244	40,28,233
Change (%)	4.1	5.3	8.8	16.5	20.9	18.0	16.4	19.2	18.4
Fixed Assets	7,181	6,599	6,467	6,997	8,458	10,257	10,770	11,308	11,874
Deferred tax Assets	694	6,964	9,109	17,439	28,840	36,949	29,559	23,647	18,918
Goodwill				14,067	14,067	11,895	11,895	11,895	11,895
Other Assets	15,613	9,379	13,137	34,465	27,408	52,657	68,454	88,990	1,06,788
Total Assets	14,51,029	16,38,888	18,21,737	20,36,639	23,72,760	29,35,329	32,27,901	38,76,378	45,46,360

E: MOFSL Estimates

Financials and valuations

AUM Mix (%)		(INR M)								
Y/E March		FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM		13,88,342	14,68,128	15,77,122	18,56,829	22,48,620	26,31,903	30,53,168	36,20,502	42,72,426
Change (%)		4	6	7	18	21	17	16	19	18
Disbursements		7,05,733	5,21,985	8,62,135	11,06,899	14,21,675	16,62,981	18,46,116	21,79,156	25,35,767
Change (%)		-3	-26	65	28	28	17	11	18	16

E: MOFSL Estimates

Ratios		(INR M)								
Y/E March		FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spreads Analysis (%)										
Avg. Yield on Loans		17.4	17.2	17.5	17.9	17.7	17.8	17.8	17.3	17.1
Avg Cost of Funds		9.1	9.0	8.9	8.3	8.6	8.8	8.9	8.7	8.6
Spread of loans		8.3	8.2	8.7	9.6	9.1	9.0	8.8	8.6	8.6
NIM (on assets)		8.3	7.5	7.3	8.3	8.5	8.2	8.2	8.9	9.1
C/I ratio		29.7	27.9	27.9	28.5	29.7	30.5	30.3	28.2	26.6
Profitability Ratios (%)										
RoE		14.9	12.8	11.8	15.3	15.7	15.8	16.1	14.3	13.2
RoA		2.5	2.3	2.2	3.1	3.3	3.1	3.2	3.6	3.8
Int. Expended / Int.Earned		47.4	49.3	49.3	43.9	44.1	45.8	46.4	42.1	39.9
Other Inc. / Net Income		4.1	4.0	7.0	6.9	6.9	6.6	6.4	5.6	5.0
Efficiency Ratios (%)										
Op. Exps. / Net Income		29.7	27.9	27.9	28.5	29.7	30.5	30.3	28.2	26.6
Empl. Cost/Op. Exps.		51.9	49.8	52.1	51.0	53.7	51.1	50.8	51.9	52.8
Asset-Liability Profile (%)										
Loans/Borrowings Ratio		1.1	1.0	1.0	1.1	1.1	1.0	1.1	1.3	1.2
Assets/Equity		5.8	5.6	5.2	4.7	4.9	5.2	5.0	3.4	3.6
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	1,77,443
NNPA		66,256	51,523	49,731	56,749	58,245	67,145	75,835	85,789	97,594
GNPA ratio		8.3	6.9	6.9	6.2	5.5	4.6	4.6	4.4	4.2
NNPA ratio		5.0	3.6	3.3	3.2	2.7	2.6	2.6	2.4	2.4
PCR		42.1	49.3	54.7	50.1	51.8	43.3	45.0	45.0	45.0
Credit Costs (% of loans)		2.7	2.8	3.1	2.4	2.2	2.3	2.2	2.2	2.2
Valuations		FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (INR)		171	185	206	231	258	299	343	486	543
BV Growth (%)		14	8	11	12	12	16	15	42	12
P/BV		5.3	4.9	4.4	3.9	3.5	3.0	2.6	1.9	1.7
EPS (INR)		24	22	22	32	38	44	52	54	68
EPS Growth (%)		-1.4	-8.3	2.6	42.0	19.8	14.9	17.4	4.9	25.5
P/E		37.7	41.1	40.1	28.2	23.6	20.5	17.5	16.6	13.3
DPS		1.0	4.2	4.7	7.0	9.0	9.9	12	12	14
Dividend Yield (%)		0.1	0.5	0.5	0.8	1.0	1.1	1.3	1.4	1.5

E: MOFSL Estimates

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

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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

Disclosures

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

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412 and BSE enlistment no. 5028. 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 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 and is a member of Association of Portfolio Managers in India (APMI) for distribution of PMS products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.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>. As per Regulatory requirements, Research Audit Report is uploaded on www.motilaloswal.com > MOFSL-Important Links > MOFSL Research Analyst Compliance Audit Report.

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 alterations 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, enlistment as RA with Exchange 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
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@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, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN : 146822, IRDA Corporate Agent – CA0579, APMI: APRN00233. 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.