

April 26, 2026

Steady Q4; Navigating growth amid macro headwinds...

About the stock: Shriram Finance (SHF) is large financier with a strong rural presence engaged in credit solution for commercial vehicles, two-wheeler, car loans, home loans, gold loans and small business.

- As of March 2026, SHF has a huge presence with 3,225 branches across India and employee count of 76,241, customer base of ~97.3 lakhs.

Q4FY26 performance: Shriram Finance reported steady performance, with growth supported by continued traction in vehicle finance and stable rural demand. AUM increased 14.9% YoY to ₹3.02 lakh crore. Margins were stable QoQ at 8.61% supported by a gradual decline in borrowing cost. Operating performance remained healthy, with credit cost at ~1.7%, resulting in 40.9% YoY growth in PAT to ₹3,014 crore. Asset quality remained broadly stable, with GNPA at 4.58%.

Investment Rationale

- Growth trajectory positioned to accelerate through FY27-28E:** Growth outlook remains resilient with management reiterating ~18% AUM expansion, implying continued market share gains supported by strong rural franchise and customer retention. Completion of MUFG equity infusion and improving funding profile should support competitive pricing and improved retention. Incremental growth is expected to be driven by increasing share of new vehicle financing and calibrated expansion in secured MSME lending, while gold loans remain additional high-growth lever on a smaller base. However, near-term visibility remains tempered amid macro uncertainties including fuel price volatility, monsoon variability and geopolitical risks, indicating H2FY27 being monitorable.
- Funding cost tailwinds to support margins:** Margins remain resilient with NIM at 8.61% and guided ~8.5%, reflecting a conservative stance despite funding tailwinds. Cost of liabilities has begun to decline (8.59% in Q4 vs 8.69% in Q3), with ~100 bps reduction expected over the medium term supported by rating upgrades and MUFG infusion, although benefits will be partly passed on. Margin are poised for structural improvement amid liquidity normalization and deployment of recently raised equity capital.
- Stable asset quality with emerging macro risks; RoA set to improve:** Asset quality remains broadly stable with GS3 at 4.58% and credit cost at ~1.7%, reflecting resilience of the secured retail portfolio despite marginal uptick in early delinquencies. Management indicated no structural stress, with MSME exposures remaining controlled and largely secured, although a cautious stance persists amid external uncertainties. Improving funding profile and operating leverage are expected to support gradual RoA expansion ahead.

Rating and Target Price

- Continued steady growth and margin tailwinds are expected to support earnings trajectory. Factoring in healthy book accretion, we maintain our valuation multiple at ~2.2x FY28E BV, and target price of ₹1,200. Maintain Buy rating.

Key Financial Summary

| ₹ crore | FY24 | FY25 | FY26 | 3 year CAGR (FY23-FY26) | FY27E | FY28E | 2 year CAGR (FY26-28E) |
|---------|--------|--------|--------|-------------------------|--------|--------|------------------------|
| NII | 18,794 | 21,853 | 25,124 | 15% | 30,343 | 36,463 | 20% |
| PPP | 14,202 | 16,261 | 18,631 | 15% | 23,571 | 29,272 | 25% |
| PAT | 7,190 | 9,761 | 9,998 | 19% | 12,678 | 16,018 | 27% |
| ABV (₹) | 227.5 | 263.7 | 313.3 | | 459.2 | 512.1 | |
| P/E | 26.4 | 19.5 | 19.0 | | 18.7 | 14.8 | |
| P/ABV | 4.4 | 3.8 | 3.2 | | 2.2 | 2.0 | |
| RoA | 3.1 | 3.4 | 3.2 | | 3.2 | 3.5 | |
| RoE | 14.8 | 17.3 | 15.2 | | 10.9 | 12.4 | |

Source: Company, ICICI Direct Research



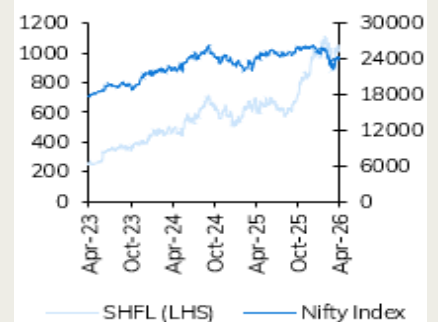
Particulars

| Particulars | Amount |
|-----------------------|------------------|
| Market Capitalisation | ₹ 2,37,856 crore |
| 52 week H/L | 1108 / 566 |
| Net worth | ₹ 65,705 Crore |
| Face Value | 2.0 |
| DII Holding (%) | 18.6 |
| FII Holding (%) | 56.1 |

Shareholding pattern

| (in %) | Sep-25 | Dec-25 | Mar-26 | Apr-26 |
|----------|--------|--------|--------|--------|
| Promoter | 25.4 | 25.4 | 25.4 | 20.3 |
| FII | 49.6 | 47.2 | 45.2 | 56.1 |
| DII | 18.7 | 21.3 | 23.3 | 18.6 |
| Others | 6.3 | 6.1 | 6.2 | 4.9 |

Price Chart



Key risks

- Moderation in credit off-take
- Rise in stress accretion amid macro uncertainty

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Concall highlights and outlook

Business performance

- AUM grew 14.85% YoY and 3.62% QoQ to ₹3,02,274 crore; disbursement rose 14.91% YoY to ₹50,952 crore, supported by strong vehicle demand and seasonal tailwinds.
- MUFG preferential allotment completed on 8 February 2026 — ~47.11 crore equity shares (47,11,11,050 shares) issued at ₹840.93/share, aggregating ₹39,618 crore; MUFG holds 20% on a fully diluted basis, implying post-dilution share base of ~235.5 crore shares.
- Capital adequacy ratio stands at 20.4% pre-inclusion and will rise to ~34% post-inclusion; leverage ratio declined to 3.82x and is expected to compress further to ~2.4x post capital absorption.
- Commercial vehicle (CV) segment continued to be a key growth driver, supported by ~18.9% YoY growth in industry volumes and stable freight demand, management noted significant improvement in new vehicle financing as previously bank-bound customers were retained within the franchise. Used CV demand described as robust, with rural penetration deepening.
- Passenger vehicle (PV) segment remained healthy with ~13% YoY industry growth, with management expecting >20% growth going for FY27, with rural and semi-urban markets continuing to outperform. New vehicle share in disbursement stands at ~15–20%; expected to increase by a further 5–10 percentage points over the next two quarters.
- MSME growth remained moderated with a cautious stance, given US tariff and West Asia conflict uncertainty, with near-term growth expected at ~13–15, with scope to accelerate as conditions normalise. Majority of MSME book secured against property mortgage.
- Gold loans continued steady branch-level rollout. Construction equipment lending remains calibrated amid delayed state-level payments and subdued project execution. Tractor and farm equipment demand remained strong in Q4, though outlook remains dependent on monsoon progression.

Marigns

- NII grew 15.58% YoY to ₹6,994 crore. NIM expanded to 8.61% (vs 8.25% in Q4FY25 and 8.58% in Q3FY26), driven by lower funding cost and normalisation of liquidity.
- Cost of liabilities declined to 8.59% (vs 8.69% in Q3FY26 and 8.96% in Q4FY25); incremental cost of funds at 7.2% in Q4FY26, though borrowing activity was muted.
- Triple-A rating upgrade expected to reduce borrowing costs further; management will not test the bond market for four to five months, deliberately waiting for the upgrade to be priced in before accessing capital markets.
- Cost-to-income ratio improved to 25.3% (vs. 29.7% in Q3), aided by normalization of one-off employee costs, headcount reduction and lower discretionary spends. Management plans to rebuild headcount toward 80,000 over the next two quarters, implying a step-up in staff costs from H1FY27. Guided cost-to-income at ~26–27% over the medium term.

Asset quality

- Gross Stage 3 marginally widened to 4.58% (vs 4.55% in Q4FY25 and 4.54% in Q3FY26); net Stage 3 improved to 2.33% (vs 2.64% in Q4FY25 and 2.38% in Q3FY26), reflecting stronger coverage.
- Stage 2 increased sequentially in CV (~17 bps QoQ) and PV; management attributed movement to routine cash flow mismatches in retail individual operator lending and emphasised no urgency on collections given LTV cushion (65% on used vehicles, 80–85% on new).

- Credit cost for FY26 at 1.68% (vs 2.07% in Q4FY25 and 1.62% in Q3FY26); management does not expect material change in credit cost estimation.
- April 2026 collections described as normal with no visible impact from West Asia conflict; any fuel-price-driven stress on truck operator cash flows would manifest with a lag, specifically post November–December 2026, as festive season demand (Q2/Q3) typically masks underlying stress.

Guidance/ Outlook

- AUM growth budgeted at 18% for FY27; management flagged formal reassessment post Q1FY27 contingent on fuel price movement and monsoon outcome. Segment-level guidance: CV ~18%, PV >20%, MSME 13–15% (scope to accelerate), Gold >30%.
- NIM guided at ~8.5% for FY27; cost-to-income targeted at ~26–27%. Credit cost guidance unchanged; no upward revision signalled at this stage.
- Fuel price risk and below-average southwest monsoon flagged as the two principal macro headwinds for FY27 (IMD: 92% of LPA; Skymet: 94%); monsoon deficit expected to concentrate in the second half of the season. Stress, if it materialises, would be visible in H2FY27 collections, masked until then by festive season demand.
- MUFG integration remains at board level (two board seats); executive appointments possible in technology, reporting and audit functions but not at senior management level. No discussions on further stake increase or DMI Finance merger.
- Cost of funds expected to benefit from triple-A upgrade; funding cost benefit will be partially passed on to retain high-quality borrowers, with residual accruing to profitability. Management will reassess borrowing strategy after four to five months.
- Leverage ratio targeted at ~2.4x post MUFG capital absorption; longer-term leverage target of 4–5x over five to six years remains unchanged.

Exhibit 1: Variance Analysis

| | Q4FY26 | Q4FY25 | YoY (%) | Q3FY26 | QoQ (%) | Comments |
|--------------------------|--------|--------|---------|--------|---------|---|
| NII | 6,751 | 5,566 | 21.3 | 6,574 | 2.7 | Steady AUM expansion and margin improvement aided NII |
| Other Income | 441 | 671 | -34.3 | 358 | 23.0 | Fees income decline led by accounting shift to EIR amortisation |
| Staff cost | 968 | 906 | 6.9 | 1,237 | -21.7 | QoQ decline aided by lower headcount and normalisation of cost |
| Other Operating Expenses | 899 | 995 | -9.7 | 1,025 | -12.3 | |
| PPP | 5,325 | 4,335 | 22.8 | 4,671 | 14.0 | |
| Provision | 1,410 | 1,563 | -9.8 | 1,310 | 7.6 | Credit cost declined to 1.68% for FY26 |
| PBT | 3,915 | 2,772 | 41.3 | 3,360 | 16.5 | |
| Tax Outgo | 902 | 633 | 42.5 | 839 | 7.5 | |
| PAT | 3,014 | 2,139 | 40.9 | 2,522 | 19.5 | PAT grew 41%, supported by lower credit cost |

Key Metrics

| | | | | | | |
|------|---------|---------|------|---------|-----|-----------------------------------|
| GNPA | 13,743 | 11,839 | 16.1 | 13,121 | 4.7 | GS3 stable at 4.58% |
| NNPA | 6,825 | 6,714 | 1.7 | 6,722 | 1.5 | NNPA declined ~5 bps QoQ to 2.33% |
| AUM | 302,274 | 263,190 | 14.8 | 291,709 | 3.6 | Largely driven by PV & CV segment |

Source: Company, ICICI Direct Research

Financial Summary

| Exhibit 2: Profit and loss statement | | | | |
|--------------------------------------|----------|----------|----------|----------|
| | ₹ crore | | | |
| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
| Interest Earned | 40,307.6 | 46,644.0 | 52,361.2 | 60,119.1 |
| Interest Expended | 18,454.6 | 21,520.4 | 22,018.3 | 23,656.0 |
| Net Interest Income | 21,853.1 | 25,123.6 | 30,342.9 | 36,463.1 |
| growth (%) | 16.3% | 15.0% | 20.8% | 20.2% |
| Non Interest Income | 1,564.4 | 1,533.9 | 2,276.9 | 3,388.9 |
| Net Income | 23,417.4 | 26,657.6 | 32,619.8 | 39,852.0 |
| Opex | 7,156.6 | 8,026.2 | 9,048.6 | 10,580.3 |
| Operating Profit | 16,260.8 | 18,631.3 | 23,571.2 | 29,271.7 |
| Provisions | 5,311.7 | 5,339.1 | 6,477.0 | 7,674.0 |
| PBT | 10,949.1 | 13,292.3 | 17,094.2 | 21,597.7 |
| Exceptional Item | 1,656.8 | - | - | - |
| Taxes | 2,845.0 | 3,294.1 | 4,416.6 | 5,580.1 |
| Net Profit | 9,760.9 | 9,998.2 | 12,677.7 | 16,017.6 |
| growth (%) | 35.7% | 2.4% | 26.8% | 26.3% |
| EPS (₹) | 51.9 | 53.2 | 53.9 | 68.1 |

Source: Company, ICICI Direct Research

| Exhibit 3: Key ratios | | | | |
|-------------------------------|-------|-------|-------|-------|
| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
| Valuation | | | | |
| No. of Equity Shares (Crores) | 188.0 | 188.0 | 235.1 | 235.1 |
| EPS (₹) | 51.9 | 53.2 | 53.9 | 68.1 |
| BV (₹) | 299.4 | 349.6 | 493.5 | 551.4 |
| ABV (₹) | 263.7 | 313.3 | 459.2 | 512.1 |
| P/E | 19.5 | 19.0 | 18.7 | 14.8 |
| P/BV | 3.4 | 2.9 | 2.0 | 1.8 |
| P/ABV | 3.8 | 3.2 | 2.2 | 2.0 |
| NII/AUM | | | | |
| | 8.3 | 8.3 | 8.7 | 8.9 |
| Cost to AUM | | | | |
| | 2.7 | 2.7 | 2.6 | 2.6 |
| Gross Stage 3 | | | | |
| | 4.5 | 4.5 | 4.6 | 4.7 |
| Net Stage 3 | | | | |
| | 2.6 | 2.3 | 2.3 | 2.3 |
| RoE | | | | |
| | 17.3 | 15.2 | 10.9 | 12.4 |
| RoA | | | | |
| | 3.4 | 3.2 | 3.2 | 3.5 |

Source: Company, ICICI Direct Research

| Exhibit 4: Balance sheet | | | | |
|--------------------------------|---------|--------|--------|--------|
| | ₹ crore | | | |
| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
| Sources of Funds | | | | |
| Capital | 376 | 376 | 470 | 470 |
| Reserves and Surplus | 55905 | 65329 | 115535 | 129149 |
| Networth | 56281 | 65705 | 116005 | 129620 |
| Borrowings | 234197 | 250690 | 276034 | 325492 |
| Other Liabilities & Provisions | 3331 | 4760 | 15752 | 3715 |
| Total | 293808 | 321155 | 407791 | 458827 |
| Application of Funds | | | | |
| Cash & Bal | 21366 | 7938 | 41895 | 32678 |
| Advances | 245393 | 282452 | 329575 | 385198 |
| Investment | 15599 | 14783 | 17969 | 19810 |
| Other assets | 11451 | 15982 | 18352 | 21140 |
| Total | 293808 | 321155 | 407791 | 458827 |

Source: Company, ICICI Direct Research

| Exhibit 5: Growth ratios | | | | |
|--------------------------|-------|-------|-------|-------|
| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
| Total assets | 23.8% | 9.3% | 27.0% | 12.5% |
| Advances | 18.0% | 15.1% | 16.7% | 16.9% |
| Net interest income | 16.3% | 15.0% | 20.8% | 20.2% |
| Operating expenses | 19.6% | 12.2% | 12.7% | 16.9% |
| Net profit | 35.7% | 2.4% | 26.8% | 26.3% |
| Net worth | 15.9% | 16.7% | 76.6% | 11.7% |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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