

April 28, 2025

Q4FY25 Result Update

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	1,87,935	2,18,531	2,53,498	2,95,625
Growth (%)	17.0	16.3	16.0	16.6
Op. Profit (Rs m)	1,42,020	1,62,609	1,85,321	2,19,647
PAT (Rs m)	71,905	81,042	97,390	1,17,669
EPS (Rs.)	63.8	43.1	51.8	62.6
Gr. (%)	(65.6)	(32.4)	20.1	20.8
DPS (Rs.)	45.0	43.1	51.8	47.0
Yield (%)	6.9	6.6	7.9	7.2
Margin (%)	9.2	9.0	8.9	9.0
RoAE (%)	15.7	15.5	15.9	16.4
RoAA (%)	3.3	3.1	3.1	3.3
PE (x)	10.3	15.2	12.7	10.5
P/BV (x)	1.5	2.2	1.9	1.6
P/ABV (x)	1.6	2.5	2.1	1.8

Key Data

SHMF.BO | SHFL IN

52-W High / Low	Rs.730 / Rs.439
Sensex / Nifty	79,213 / 24,039
Market Cap	Rs.1,232bn/ \$ 14,418m
Shares Outstanding	1,880m
3M Avg. Daily Value	Rs.4484.34m

Shareholding Pattern (%)

Promoter's	25.40
Foreign	53.58
Domestic Institution	15.34
Public & Others	5.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.4)	5.9	31.5
Relative	(4.9)	6.2	23.4

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Steady AUM growth; excess liquidity a drag

Quick Pointers:

- NIM declined 23 bps QoQ to 8.25% on account of excess liquidity
- Stage 2 % increased to 6.9%; we remain wary of stress in certain pockets

Shriram Finance's 4QFY25 NII saw a moderate growth of 9.4% YoY impacted by negative carry from excess liquidity and elevated cost of borrowing. AUM grew 17% YoY to Rs 2,631.9 bn, led by strong growth in the PV, MSME and 2W portfolio. We expect SHFL to deliver ~16.5% RoE in FY27E, led by steady growth in AUM, favourable margin profile and controlled asset quality ratios. A premium over 5-year average P/ABV of 1.5x is justified given the change in business mix (SCUF merger), improvement in cost of borrowing profile and resilient asset quality trend. We assign a multiple of 1.9x on Mar'27 ABV with a TP of Rs 685 and assume coverage with a 'HOLD' rating.

- Expect steady AUM growth in FY26:** 4QFY25 disbursements registered a growth of 14% YoY to Rs 448.5 bn. Consequently, AUM growth was robust at 17.0% YoY/ 3.4% QoQ to Rs 2,631.9 bn, led by the PV/ MSME/ 2W portfolio (+25.2%/ 42.6%/ 24.1% YoY respectively). The split among CV/PV/CE/Farm Equipment/ MSME/2W/ Gold/Personal Loans stood at 45.0%/ 20.6%/ 6.8%/ 2.0%/ 14.2%/ 5.9%/ 1.8%/ 3.6% respectively. While CV sales saw tepid growth in the quarter (11% YoY), company expects a growth of 12%- 15% in the CV portfolio in FY26 led by replacement demand and a pick-up in infrastructure spend. It expects the PV and MSME segments to outperform (20%+ growth) and is confident of meeting a run-rate of 15%+ AUM growth in FY26E; we build ~16.5%.
- NIM impacted due to excess liquidity:** NII grew 9.4% YoY (flat QoQ) to Rs 55.6 bn. However, reported NIM saw a contraction of 23 bps QoQ to 8.25% due to negative carry from excess liquidity (~Rs 310 bn, equivalent to 6M of liabilities). Company expects it to normalise over the next 2 quarters and will be returning to its usual policy of maintaining liquidity equivalent to 3M of liabilities. Commentary also highlighted a reduction in incremental cost of borrowing in the quarter (8.86% vs. 8.92% in Q3FY25) and expects ~15-20 bps reduction in CoF in FY26E. Factoring a normalizing trend in liquidity and a reduction in CoF, we expect NIM to improve in FY26E. Cost/Income ratio stood at 27.6% vs. 28.6% in Q3; we expect opex to be elevated (~30%) over the near-term as the company expands the branch network.
- Asset quality trend monitorable:** Headline asset quality ratio improved with GS3/NS3 at 4.55%/ 2.64% vs. 5.38%/ 2.68% in Q3FY25, on account of a reduction in GNPA (technical write-off of Rs. 23.45 bn). Stage 2 increased to 6.9% vs. 6.7% in Q3FY25, led by a 26-42 bps sequential increase in PV, 2W, MSME and Gold portfolio. While commentary highlighted stress in certain rural pockets (Chhattisgarh, Bihar and MP), company expects cash flows to improve with a good monsoon/ Kharif output. Stage 3 PCR normalized to 43.3% (vs. 51.6% in Q3FY25) and company expects to maintain it at ~40% (similar to pre-Covid levels). It has guided for a credit cost of ~2% over the medium-term (2.6% for Q4FY25); we remain wary and build a higher rate of 2.2% in FY26E.

Exhibit 1: Q4FY25 Result Overview (Rs mn)

Y/e March	Q4FY24	Q3FY24	Q4FY25	YoY gr.	QoQ gr.
NII	50,874	55,896	55,655	9.4%	-0.4%
YoY (%)	21.7	13.8	9.4		
Other Income	4,206	3,646	6,707	59.5%	84.0%
Net Revenue	55,080	59,542	62,363	13.2%	4.7%
Opex	16,024	18,692	19,010	18.6%	1.7%
PPOP	39,056	40,850	43,353	11.0%	6.1%
YoY (%)	26.8	10.7	11.0		
Provisions	12,615	13,258	15,633	23.9%	17.9%
PBT	26,441	44,159	27,720	4.8%	-37.2%
Tax	6,983	8,462	6,326	-9.4%	-25.2%
ETR (%)	26.4	19.2	22.8		
PAT	19,459	35,698	21,394	9.9%	-40.1%
YoY (%)	48.7	96.3	9.9		
Business Metrics					
Loans (Rs bn)	2,079	2,351	2,454	18.0%	4.4%
YoY (%)	20.9	18.8	18.0		
AUM (Rs bn)	2,249	2,545	2,632	17.0%	3.4%
YoY (%)	21.1	18.8	17.0		
Asset Quality Metrics					
GS3 (%)	5.45	5.38	4.55	-7 bps	-83 bps
NS3 (%)	2.70	2.68	2.64	-2 bps	-4 bps
PCR - stage 3 (%)	51.8	51.6	43.3	-15 bps	-836 bps

Source: Company, PL

Q4FY25 Concall Highlights

Growth

- 4QFY25 disbursements grew 14% YoY to Rs 448.5 bn led by PV, MSME and 2W segments.
- AUM growth was robust at 17.0% YoY/ 3.4% QoQ to Rs 2,631.9 bn. Company has guided for ~15% growth in FY26E.
- The split among CV/PV/CE/Farm Equipment/ MSME/2W/ Gold/Personal Loans stood at 45.0%/ 20.6%/ 6.8%/ 2.0%/ 14.2%/ 5.9%/ 1.8%/ 3.6% respectively.
- Company expects a growth of 12%- 15% in the CV portfolio in FY26 led by replacement demand and a pick-up in infrastructure spend.
- It has activated more branches post-merger in the MSME segment and expects 20%+ growth in FY26.

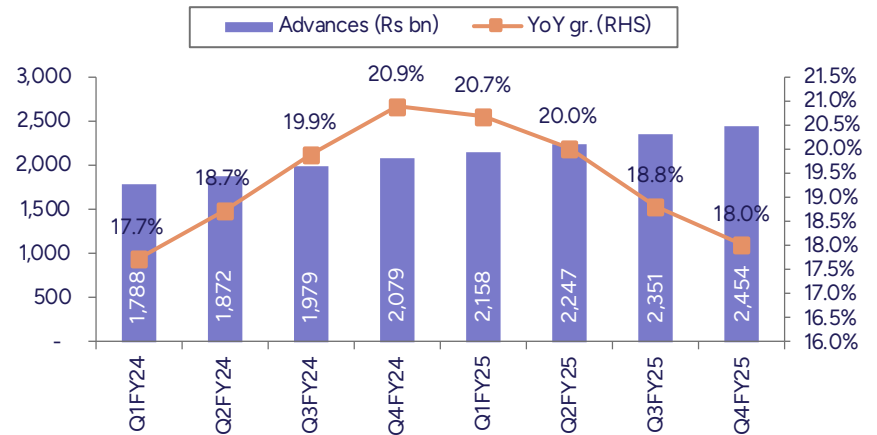
Operating profitability

- Reported NIM saw a contraction of 23 bps QoQ to 8.25% due to negative carry from excess liquidity (~Rs 310 bn, equivalent to 6M of liabilities).
- Company expects liquidity to normalise over the next 2 quarters and will return to its usual policy of maintaining liquidity equivalent to three months of liabilities.
- Incremental cost of borrowing reduced to 8.86% in Q4FY25 (vs. 8.92% in Q3FY25). Company expects a ~15-20 bps overall reduction in CoF in FY26E.
- It has guided for a NIM of ~8.5% and expects to pass on the benefit of a rate cut to customers.

Asset quality

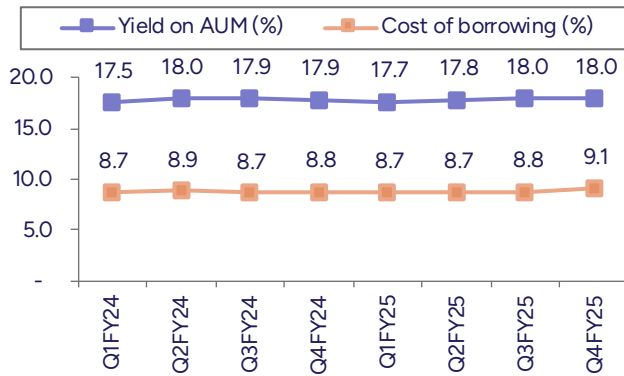
- Headline asset quality ratio improved with GS3/NS3 at 4.55%/ 2.64% vs. 5.38%/ 2.68% in Q3FY25.
- The reduction in GNPA was primarily on account of technical write-off of Rs. 23.45 bn of assets which were fully provided for.
- Stage 2 increased to 6.9% vs. 6.7% in Q3FY25, led by a 26-42 bps sequential increase in PV, 2W, MSME and Gold portfolio.
- Management commentary indicated stress in certain rural pockets in Central states (Chhattisgarh, Bihar and MP). However, on-ground feedback is positive and company expects cash flows to improve with a good monsoon/ Kharif output.
- Stage 3 PCR normalized to 43.3% (vs. 51.6% in Q3FY25) and company expects to maintain it at ~40% (similar to pre-Covid levels).
- It has guided for a credit cost of ~2% over the medium-term.

Exhibit 2: Strong growth in advances at 18% YoY



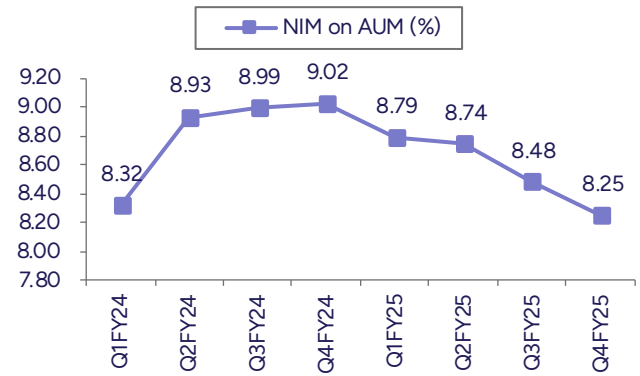
Source: Company, PL

Exhibit 3: Cost of borrowing remains elevated



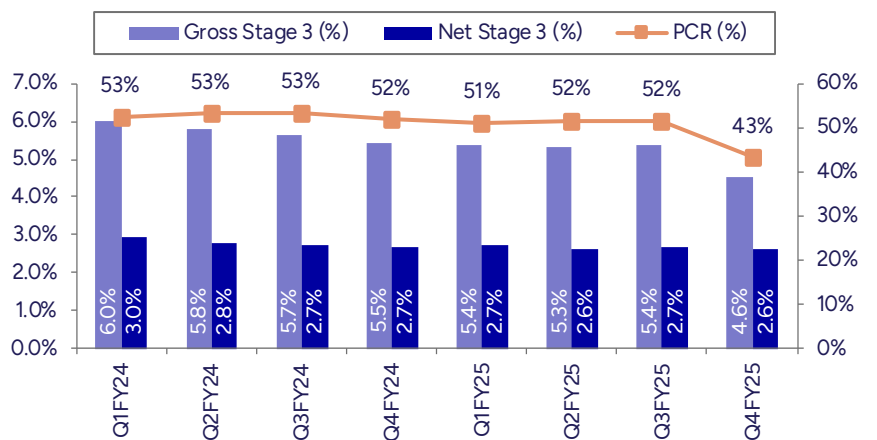
Source: Company, PL

Exhibit 4: NIM declined due to a drag from excess liquidity



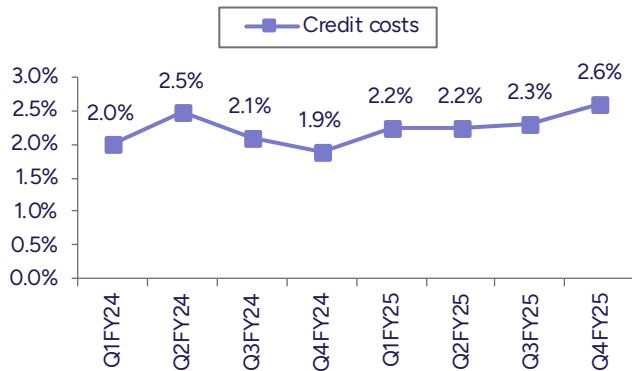
Source: Company, PL

Exhibit 5: Asset quality trend has seen a sequential improvement



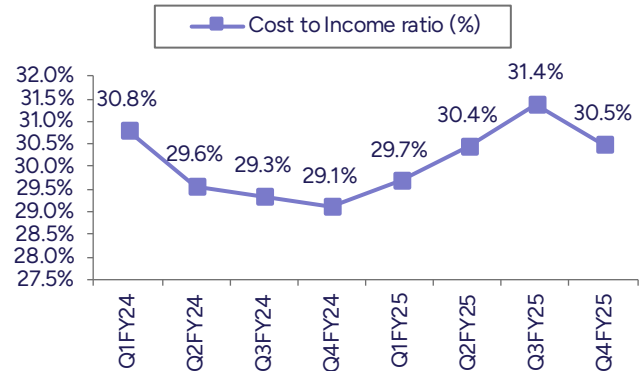
Source: Company, PL

Exhibit 6: Credit cost has seen a spike in the quarter



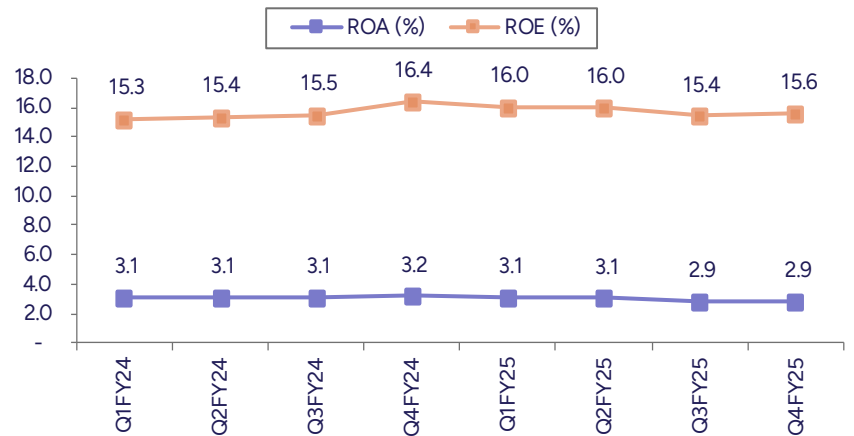
Source: Company, PL

Exhibit 7: Opex remains high as company invests in branches



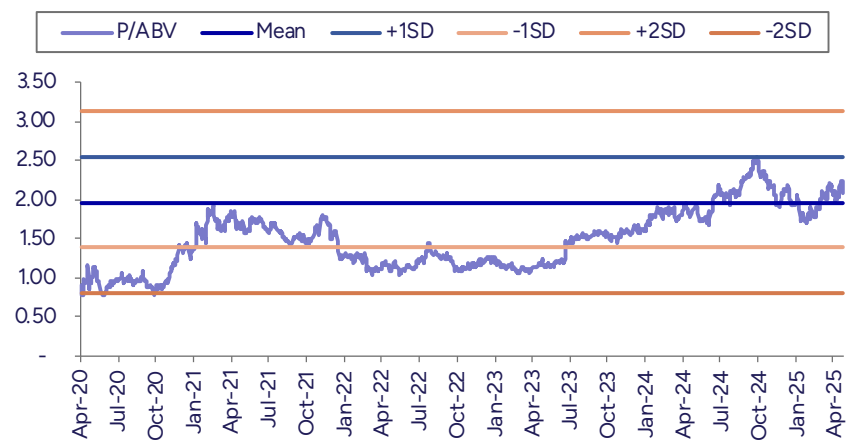
Source: Company, PL

Exhibit 8: RoA/RoE stood at 2.9%/ 15.6% in Q4FY25



Source: Company, PL

Exhibit 9: One-year forward P/ABV of SHFL trades at 2.1x



Source: Company, PL


Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	3,35,997	4,03,076	4,65,283	5,32,479
Interest Expenses	1,48,061	1,84,546	2,11,785	2,36,854
Net interest income	1,87,935	2,18,531	2,53,498	2,95,625
Growth(%)	17.0	16.3	16.0	16.6
Non-interest income	13,980	15,494	10,886	11,349
Growth(%)	16.9	10.8	(29.7)	4.3
Net operating income	2,01,915	2,34,025	2,64,384	3,06,974
Expenditures				
Employees	32,156	36,512	37,323	40,104
Other Expenses	27,739	34,904	41,740	47,223
Depreciation	-	-	-	-
Operating Expenses	59,895	71,416	79,063	87,327
PPP	1,42,020	1,62,609	1,85,321	2,19,647
Growth(%)	15.1	14.5	14.0	18.5
Provisions	45,183	53,117	54,597	61,702
Profit Before Tax	96,836	1,09,493	1,30,725	1,57,945
Tax	24,932	28,450	33,335	40,276
Effective Tax rate(%)	25.7	26.0	25.5	25.5
PAT	71,905	81,042	97,390	1,17,669
Growth(%)	20.3	12.7	20.2	20.8

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	3,758	3,761	3,761	3,761
Reserves and Surplus	4,81,926	5,59,045	6,56,435	7,74,104
Networth	4,85,684	5,62,806	6,60,195	7,77,865
Growth (%)	12.1	15.9	17.3	17.8
Loan funds	18,58,411	23,41,973	25,95,885	29,92,460
Growth (%)	17.7	26.0	10.8	15.3
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	10,185	9,647	10,038	10,446
Other Liabilities	18,480	20,904	21,753	22,636
Total Liabilities	23,72,760	29,35,329	32,87,871	38,03,407
Application of funds				
Net fixed assets	32,874	-	-	-
Advances	20,79,294	24,53,928	28,55,473	32,91,706
Growth (%)	20.9	18.0	16.4	15.3
Investments	1,06,566	1,55,987	1,42,774	1,64,585
Current Assets	1,17,697	2,13,657	1,73,330	2,26,099
Net current assets	1,07,513	2,04,011	1,63,292	2,15,653
Other Assets	36,328	1,11,757	1,16,294	1,21,016
Total Assets	23,72,760	29,35,329	32,87,871	38,03,407
Growth (%)	16.5	23.7	12.0	15.7
Business Mix				
AUM	22,48,620	26,31,903	30,62,570	35,30,442
Growth (%)	21.1	17.0	16.4	15.3
On Balance Sheet	22,16,677	25,99,159	30,07,444	34,59,833
% of AUM	98.58	98.76	98.20	98.00
Off Balance Sheet	31,943	32,744	55,126	70,609
% of AUM	1.42	1.24	1.80	2.00

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	9.2	9.0	8.9	9.0
ROAA	3.3	3.1	3.1	3.3
ROAE	15.7	15.5	15.9	16.4

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Int. Inc. / Operating Inc.	93,628	98,145	1,03,408	1,07,895
Income from securitization	-	-	-	-
Interest Expenses	41,289	43,504	47,513	52,240
Net Interest Income	52,339	54,641	55,896	55,655
Growth (%)	24.6	18.9	13.8	9.4
Non-Interest Income	2,469	2,671	3,646	6,707
Net Operating Income	54,808	57,312	59,542	62,363
Growth (%)	21.3	16.0	14.1	13.2
Operating expenditure	16,267	17,447	18,692	19,010
PPP	38,541	39,865	40,850	43,353
Growth (%)	-	-	-	-
Provision	11,876	12,350	13,258	15,633
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	26,666	27,515	44,159	27,720
Tax	6,860	6,803	8,462	6,326
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.7	24.7	19.2	22.8
PAT	19,806	20,713	35,698	21,394
Growth	18	18	96	10
AUM	23,34,436	24,30,426	25,44,697	26,31,903
YoY growth (%)	20.8	19.9	18.8	17.0
Borrowing	19,17,455	20,78,196	22,34,597	23,41,973
YoY growth (%)	18.4	25.7	25.9	26.0

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	655	655	655	655
EPS (Rs)	63.8	43.1	51.8	62.6
Book value (Rs)	431.1	299.4	351.1	413.7
Adj. BV(Rs)	400.1	263.7	310.5	366.5
P/E(x)	10.3	15.2	12.7	10.5
P/BV(x)	1.5	2.2	1.9	1.6
P/ABV(x)	1.6	2.5	2.1	1.8
DPS (Rs)	45.0	43.1	51.8	47.0
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	6.9	6.6	7.9	7.2

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	1,20,812	1,18,388	1,27,069	1,43,189
Net NPA(Rs m)	58,244	67,145	76,241	88,777
Gross NPAs to Gross Adv.(%)	5.5	4.6	4.5	4.4
Net NPAs to net Adv.(%)	2.7	2.6	2.7	2.7
NPA coverage(%)	51.8	43.3	40.0	38.0

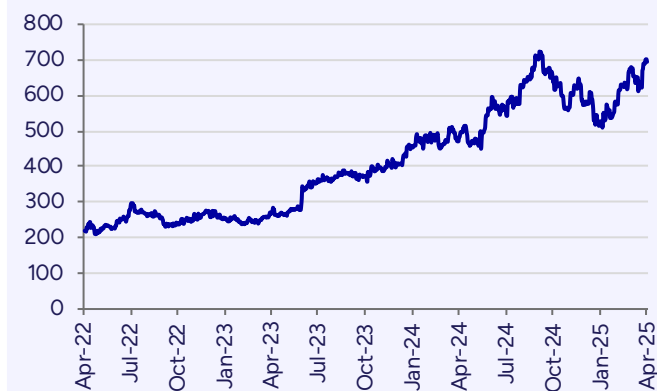
Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	8.5	8.2	8.1	8.3
NII INCI. Securitization	8.5	8.2	8.1	8.3
Total income	9.2	8.8	8.5	8.7
Operating Expenses	2.7	2.7	2.5	2.5
PPOP	6.4	6.1	6.0	6.2
Total Provisions	2.0	2.0	1.8	1.7
RoAA	3.3	3.1	3.1	3.3
Avg. Assets/Avg. net worth	4.9	5.2	5.0	4.9
RoAE	15.7	15.5	15.9	16.4

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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PL's Recommendation Nomenclature (Absolute Performance)

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

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