

26 April 2025

India | Equity Research | Results update

**Shriram Finance**

NBFCs

**Asset quality improved but driven by write-offs; forward flows remained elevated in Q4FY25**

Shriram Finance's (Shriram) Q4FY25 financial performance was subdued with a sharp NIM contraction and a spike in credit cost. While headline asset quality improved with GNPL falling to 4.55% vs. 5.38% QoQ, this was driven by higher write-offs at >INR 20bn during Q4FY25. Management's successful execution on balancing growth and credit cost derailed during Q4FY25 with credit cost exceeding its guidance of 2% and settling at 2.4% in Q4FY25. It attributes this to temporary slowdown in the CV portfolio in central India (certain pockets of UP, Bihar & MP) but also highlighted that the same is transient and sounded confident of maintaining full-year FY26 credit cost at 2%. The merger brought with it second wind for growth, which is progressively convalescing – FY25 growth at 17% YoY vs. STFC's timid FY19–23 spell of 9%/5%/7%/8%/14% on a standalone basis.

Amid a challenging operating environment, we believe AUM growth would remain at 15% in FY26E/FY27E vs. 17% in FY25; higher forward flows in Q4FY25 also pose a risk to FY26 credit cost guidance of 2%. With this backdrop, we cut our FY26E/FY27E earnings by 4%/1% respectively, as we model marginally higher credit cost. We downgrade the stock to **HOLD** (Buy earlier) with a revised TP of INR 640 (INR 710 earlier), as we now value at 1.75x Sep'26E BVPS vs 2.2x on Sep'25E BVPS earlier.

**Weak Q4FY25 financial performance: RoA at 2.9%/RoE 15.6%**

Shriram's Q4FY25 financial performance was subdued with 23bps QoQ NIM compression and credit cost increasing to 2.4% in Q4FY25 vs. 2.1% in Q3FY25. AUM grew by 17% YoY/3.4% QoQ. NII remained flat QoQ due to muted AUM growth and a sharp NIM compression. Margins were lower 23bps QoQ at 8.25% due to a negative carry on excess liquidity, as it raised ~USD 1.22bn in Q3FY25 and USD 800mn in Q4FY25. The raised funds shall be deployed in a staggered manner in ensuing quarters. Other income almost doubled to INR 6.6bn during Q4FY25 vs. INR 3.6bn in Q3FY25 and the same has partially offset the muted core revenue growth. PPOP grew by 6% QoQ with tight control on operating expense, reflecting in the ~100bps QoQ reduction in cost-income ratio to 30% vs. 31% QoQ. Asset quality improved with Stage-3 falling to 4.6% vs. 5.4% QoQ, but the same was driven by higher write-offs at >INR 20bn during Q4FY25, leading to PCR falling to 43% vs. 52% QoQ.

**Financial Summary**

Y/E	March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income (NII)		1,87,985	2,18,548	2,51,387	2,83,122
PAT (INR mn)		80,973	78,697	92,630	1,07,733
EPS (INR)		43.1	41.9	49.3	57.3
% Chg YoY		34.2	(2.9)	17.7	16.3
P/E (x)		15.2	15.7	13.3	11.4
P/BV (x)		2.5	2.2	1.9	1.7
Gross Stage - 3 (%)		5.5	4.6	5.1	5.2
RoA (%)		3.6	3.0	2.9	3.0
RoE (%)		17.5	15.0	15.4	15.7

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**Market Data**

Market Cap (INR)	1,232bn
Market Cap (USD)	14,425mn
Bloomberg Code	SHFL IN EQUITY
Reuters Code	SHMF.BO
52-week Range (INR)	730 /439
Free Float (%)	74.0
ADTV-3M (mn) (USD)	52.4

Price Performance (%)	3m	6m	12m
Absolute	24.2	5.9	31.5
Relative to Sensex	20.3	6.2	24.9

ESG Score	2023	2024	Change
ESG score	73.4	80.1	6.7
Environment	52.6	63.2	10.6
Social	70.7	75.8	5.1
Governance	81.3	89.9	8.6

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
EPS	(4)	(1)

**Previous Reports**

26-01-2025: [Q3FY25 results review](#)

26-10-2024: [Q2FY25 results review](#)

## Credit cost increases for second consecutive quarter, settling at 2.4%; expects FY26 credit cost at ~2%

Post merger, management's execution on reviving growth to high double-digit (driven by merger synergies) with stable credit cost at ~2% for past several quarters is worth highlighting. However, the stable credit cost trajectory witnessed some derailment in Q3FY25 – with it increasing to 2.1% vs. 2% during H1FY25, and in Q4FY25 the figure further deteriorated to 2.4% (higher than guidance of 2%). Notably, the spike in credit cost during Q4FY25 was largely due to higher forward flows, as accelerated write-offs (INR 23.4bn) were already 100% provided. Management attributed this to a temporary cashflow impact in the CV segment in central India (certain pockets of UP, Bihar & MP). However, it also highlighted that with improving rural sentiment (~85% of its customer base is in the rural and semi-urban market) it expects a pull-back in H1FY26; hence, is confident of maintaining credit cost at 2% for the full FY26.

## MSME, tractor and PV remained key growth drivers in FY25; expects AUM growth at ~15% in FY26 vs. 17% in FY25

Shriram reported AUM growth of 3% QoQ/17% YoY aided by healthy growth across all non-CV segments. As a result, CV's share in its overall loan mix has fallen to 45% vs. 45.5% QoQ and 48% YoY. Among the non-CV segments, MSME saw highest growth at 43% QoQ, followed by farm equipment at 40% YoY and PV/2W at 25% YoY each. In contrast, CE grew by 5% YoY, PV 7% YoY, CV 11% YoY and gold loan fell 23% YoY during Q4FY24.

The gold loan portfolio has been declining sequentially for the past two quarters, which is likely to be arrested Q4 onwards and should see double-digit growth in FY26, as per management. We believe that a realignment of LTV, post regulator's directive on gold loan LTV to restrict to 75%, would have led to this slowdown.

Management highlighted that recent AUM growth in the CV segment (~45% of loans, as on March'25) was mainly driven by higher ticket size and new CVs. Used vehicles sales has been subdued post Covid-19, due to weak supply of vehicles in the market. The same resulted in increasing prices for used vehicles. Hence, to offset this, it focused on the new vehicles segment, which relatively is higher ticket-size segment. It also highlighted that vehicle cost has gone up by ~30% in the past three years. Management is of the view that used vehicles' transactions are likely to see good demand in the next 4–5 years, which should contribute to AUM growth. However, in the near-term, taking cognizance of the current operating environment, it conservatively guides for 15% AUM growth in FY26 vs. 17% in FY25.

## Rise in Stage-2 assets for two straight quarters, higher forward flows in Q4FY25 and PCR at 43% vs. 50% recently raises concern over near-term asset quality

While headline asset quality improved with GNPL falling to 4.6% vs. 5.4% QoQ, the same was driven by higher write-offs. Stress in portfolio is visible with Stage-2 assets increasing to 6.9% by Mar'25, from 6.6% in Sep'24 and higher forward flows in Q4FY25 (as evident in higher credit cost on sequential basis). Except gold and CE, all other segments witnessed an increase in Stage-2 assets during H2FY25. However, management sounded confident about maintaining asset quality at manageable levels, as it derives comfort from improving rural economy.

In Q4FY25, it reviews its NPL portfolio and written-off assets worth INR23.5bn on which it was carrying 100% provision. The same led to drop in PCR to 43% vs >50% post covid. The company was carrying higher ECL provision on Stage 3 assets (>50%) post covid phase to insulate P&L if forward flows increase immediately post covid. Pre-

covid it used to maintain PCR at 40%. With this backdrop, it highlighted that it is comfortable maintaining PCR at pre-Covid-19 level of 40% going ahead and does not intend to increase it to >50%.

### Margin dips to six-quarter low at 8.25%, weighed by negative carry on excess liquidity

NIM moderated to lowest level of 8.25% vs. 8.48% QoQ, down 23bps/77bps QoQ/YoY, which resulted in flat NII sequentially despite AUM growth of 3% QoQ. Management attributed this to excess liquidity on the balance sheet, as it raised USD 1.27bn in funds via the ECB route during Q3FY25. It again raised USD 8,000mn in Q4FY25, because of which liquidity coverage shot up from ~195% in FY24, from 287% in FY25. This is quite high as compared to management's policy of three months of liability to be in liquid assets, which is currently at six months. Excess liquidity weighed on margins, which saw a ~20bps impact on account of excess liquidity. Gradual deployment of excess liquidity over the next two quarters would aid in margin improvement.

**Key risks:** Slowdown in CV cycle; Better than expected loan book growth; rise in Stage-3 assets; and pressure on yield due to competitive pressure.

### Q4FY25 conference call takeaways

#### AUM

- Disbursements for the quarter at INR 448.48bn
- Disbursements break-up (INR bn)
  - CV 167.77
  - PV 82.56
  - MSME 76.60
  - Gold 31.05
  - 2W 29.19
  - PL 28.90
  - CE 21.80
  - FE 10.61

#### Growth

- Rural economy is doing well and rural stress should be addressed with better economic situation in rural areas.
- 2025 monsoon prediction is above normal; and two consecutive above-normal monsoons bode well for the rural economy. This should help manage asset quality well.
- Urban has seen some slowdown due to slow government spending on infra, which is leading to lower credit growth opportunity.
- **Since new CV sales have improved FY22 onwards, the number of used CV sales should pick up from FY26–28. Hence, expect good uptick in used CV growth over the next three years.**
- **Looking at 12–15% growth in FY26 in CV segment.**
- Expect >20% growth in PV, MSME and other segments in FY26
- Gold loan book should see growth in FY26. For FY25, it was under pressure, largely due to redemption pressure.
- Personal loans growth moderation was due to industry-wide concerns and nothing specific to Shriram. Now, it is more comfortable on personal loans; hence, has accelerated growth in this segment.

- **15% AUM growth guidance for the medium-term.**

#### Asset quality

- **Maintain credit cost guidance of below 2% credit cost for FY26**
- Some borders of UP, Bihar and MP were adversely impacted from the asset quality perspective
- Rise in credit cost QoQ has been due to higher provisioning requirement on account of higher forward flows
- Total w/off for Q4 at INR 31.62bn
- INR 23.45bn w/off in current quarter, which was 100% provided for, has nothing to do with PD and LGD assumptions. It is mainly a decision taken based on coverage being continued for the past 5–6 years. And those assets were technically written-off during Q4, after deliberation at the board.
- Had it not been for the technical w/off of INR 23.45bn, then Stage-3 would have been up 3bps QoQ to 5.41%
- Particular geographies had issues because of the slower economy and also because of the local economy in border of Bihar, Chhattisgarh and UP
- There is no obligation to maintain PCR at 50%. It is doing asset backed lending and asset values remain firm. In fact, prior to Covid-19, it was maintaining PCR between 36–40% for similar kind of assets.
- Recoveries from technical w/off for the quarter was INR 2.09bn and the worst, it has been at INR 1bn–1.5bn.

#### Margins

- **8.5–8.6% margin guidance for FY26**
- 16–22% is the IRR for 2W loans
- Usually, Shriram maintains three months liquidity, which is ~INR 190bn; but currently, it has INR 310bn in liquidity, which is ~6 months of liquidity. This has to normalise to three months over the next 1–2 quarters
- Margins were impacted by 20–25bps in Q4 due to excess liquidity

#### Borrowings

- Incremental cost of borrowings is coming down – at 8.86% vs. 8.92% QoQ
- **Excess liquidity at Mar'25-end has dented margins.** This is largely on account of two fund raise transactions
- INR 1.2bn of overseas borrowings happened in the last week of Dec'24

#### MSME

- 70–80% of MSME is secured and in majority of the cases, security is either residential or commercial property which is immovable
- MSME ATS is INR 0.5–0.6mn
- MSME IRR is 15–24%

#### Miscellaneous

- C/I should hover in the range of 27–28% over the next one year

## Q3FY25 conference call takeaways

### Margins

- Offshore now forms 19% of total borrowings, which has increased substantially QoQ due to foreign funds raised in Q3.
- **Margins have declined by ~20bps QoQ, mainly due to negative carry as Shriram carried excess liquidity**
- *Once liquidity is normalised to earlier levels of INR 170bn–180bn, then margins should see improvement in Q4. It shall look to moderate this excess liquidity in the next 1–2 quarters.*
- **Shriram always maintains three months of liability into liquid assets.**
- Normally in Q4, Shriram sees demand for new vehicles, which are relatively at lower yields.
- *Incremental cost of borrowings is at 8.95% and overall cost of borrowings at 8.9%*
- *In management's view, currently, there is no underutilisation of vehicles.*

### Loans

- **Average increase in the price of vehicle is ~30% over the past three years, while LTV remains stable ~70%.**
- Also, a lot of measures like good roads, GST and lesser tolls are also aiding growth.
- **Management mentions that it does not see a slowdown in the economy and does not see competition increasing sizeably in vehicle financing.**
- Since there are few entrants, exiting players have good opportunity.
- **Gold loan AUM has seen a sequential decline in the past two quarters. But expect that to reverse in Q4 and grow further in FY26.**
- 95% of personal loans is from existing customers. Given that there is noise in the external environment, they are going slow on personal loans.
- **Used vehicles number has not gone up, since there is not enough supply of vehicles in the market. Hence, growth is mainly due to higher ticket size.**
- **Since the last two years, new vehicle's sales have been good. Hence, management is of the view that used vehicles churn would be higher in the next 4–5 years; thereby, Shriram is likely to see higher growth in used CV financing going ahead.**
- Two-wheeler replacement is minimum post five years of usage.
- Under two-wheelers, repeat customers would be only 5% while the remaining 95% would be new to Shriram customers.
- For two-wheelers, it starts with a CIBIL score of 550 or above.

### Asset quality

- Overall, asset quality continues to be strong and there should be some bounce back in Q4. **Management does not see a structural concern on asset quality.**
- Shriram is into small ticket MSME lending, wherein there are some cash flow mismatches; hence, it usually rebounds in Q4.
- **Stage-1 PD at 9.05 vs. 9.06 QoQ**
- **Stage-2 PD at 20.74 vs. 20.98 QoQ**
- **LGD: 38.75 vs. 38.59 QoQ**

### Operating expenses

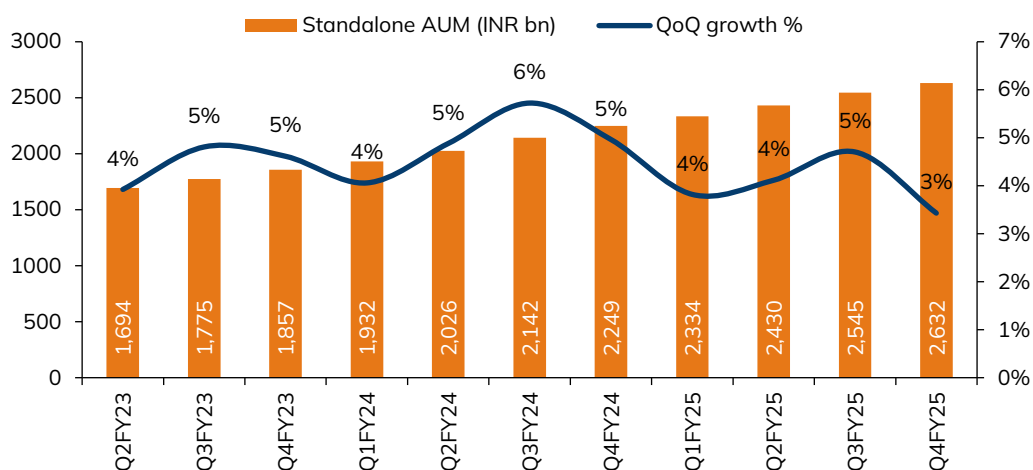
- Increase in total employee is due to sizeable hiring of new employees in Q3, which led to a rise in opex. **Shriram expects opex to moderate going ahead.**
- Higher growth in disbursements is also resulting in higher variable cost; thereby, overall higher employee cost.

## Exhibit 1: Q4FY25 result review – Shriram Finance (standalone)

	Q4FY25	Q4FY24	% Chg YoY	Q3FY25	% Chg QoQ
<b>Income statement (INR mn)</b>					
Net interest Income	55,655	50,874	9.4%	55,896	-0.4%
Add: Other Income	6,707	4,206	59.5%	3,646	84.0%
<b>Total Net income</b>	<b>62,363</b>	<b>55,080</b>	<b>13.2%</b>	<b>59,542</b>	<b>4.7%</b>
Less: Operating expenses	19,010	16,024	18.6%	18,692	1.7%
-Employee benefit expense	9,057	8,249	9.8%	9,704	-6.7%
-Depreciation & amortization	1,711	1,535	11.5%	1,619	5.6%
-Other expense	8,242	6,240	32.1%	7,369	11.8%
<b>Pre-provisioning profit</b>	<b>43,353</b>	<b>39,056</b>	<b>11.0%</b>	<b>40,850</b>	<b>6.1%</b>
Less: Provisions & write-offs	15,633	12,615	23.9%	13,258	17.9%
<b>PBT</b>	<b>27,720</b>	<b>26,441</b>	<b>4.8%</b>	<b>27,592</b>	<b>0.5%</b>
Less: Taxes	6,326	6,983	-9.4%	8,462	-25.2%
<b>Adjusted PAT (without associate PAT)</b>	<b>21,394</b>	<b>19,459</b>	<b>9.9%</b>	<b>19,130</b>	<b>11.8%</b>
<b>Balance sheet key items (INR mn)</b>					
AUM	26,31,903	22,48,620	17.0%	25,44,697	3.4%
Loan assets on balance sheet	24,53,928	20,79,294	18.0%	23,51,143	4.4%
Networth	5,62,806	4,85,684	15.9%	5,49,925	2.3%
Borrowings	23,41,973	18,58,411	26.0%	22,34,597	4.8%
<b>Asset Quality</b>					
Gross stage 3 (INR mn)	1,18,388	1,20,812	-2.0%	1,35,212	-12.4%
Gross stage 3	4.6%	5.5%	-90 bps	5.4%	-83 bps
Net stage 3 (INR mn)	67,145	58,244	15.3%	65,393	2.7%
Net stage 3	2.6%	2.7%	-7 bps	2.7%	-5 bps
Credit cost (annualised)	2.4%	2.3%	11 bps	2.1%	28 bps
<b>Key ratios (annualised)</b>					
Yield on AUM	16.7%	16.5%	13 bps	16.6%	4 bps
Cost of funds	9.1%	8.8%	34 bps	8.8%	31 bps
NIMs on AUM	8.6%	9.3%	-67 bps	9.0%	-39 bps
Other income on AUM	1.0%	0.8%	27 bps	0.6%	45 bps
Cost to income	30.5%	29.1%	139 bps	31.4%	-92 bps
Opex to AUM	2.9%	2.9%	1 bps	3.0%	-7 bps
RoA	3.0%	3.4%	-38 bps	5.2%	-227 bps
RoE	15.4%	16.3%	-90 bps	26.7%	-1128 bps
Debt to Equity (times)	4.2	3.8	8.8%	4.1	2.4%

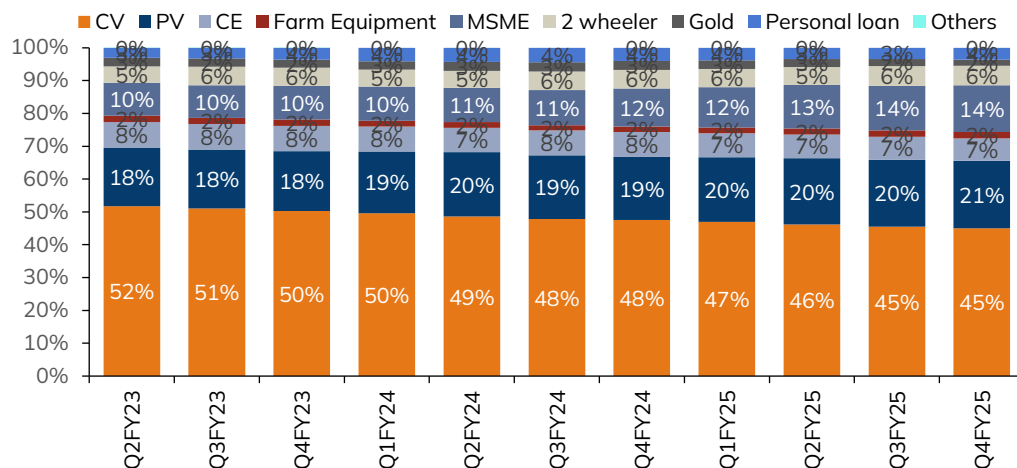
Source: Company data, I-Sec research

## Exhibit 2: Standalone AUM grew 17% YoY / 3% QoQ

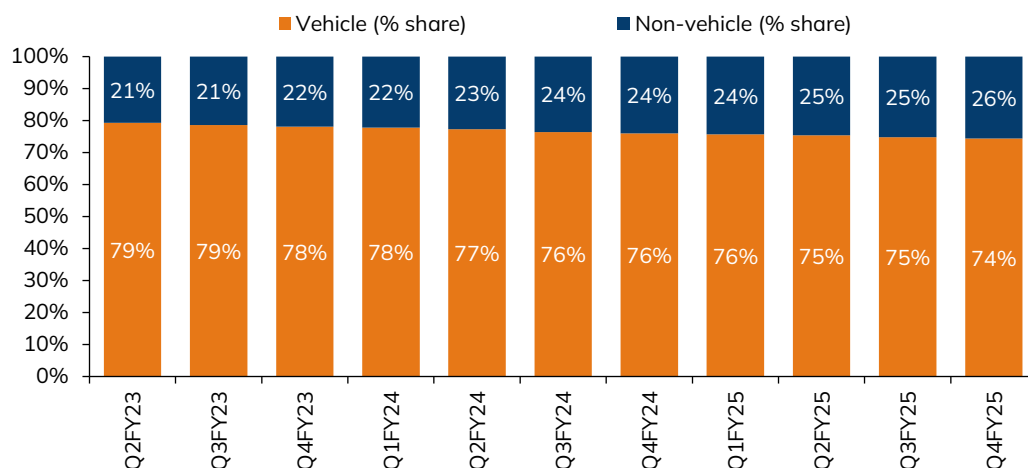


Source: Company data, I-Sec research

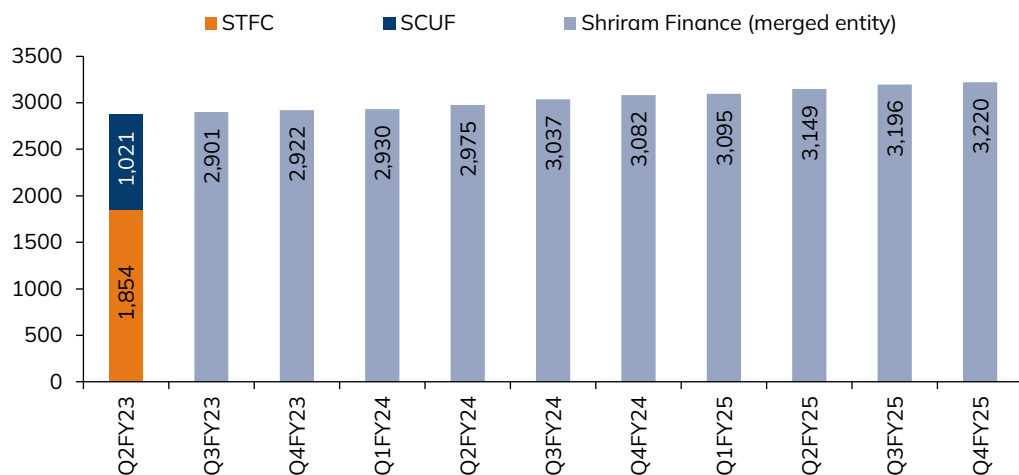


**Exhibit 3: Non-CV segments are gaining share in overall portfolio mix**


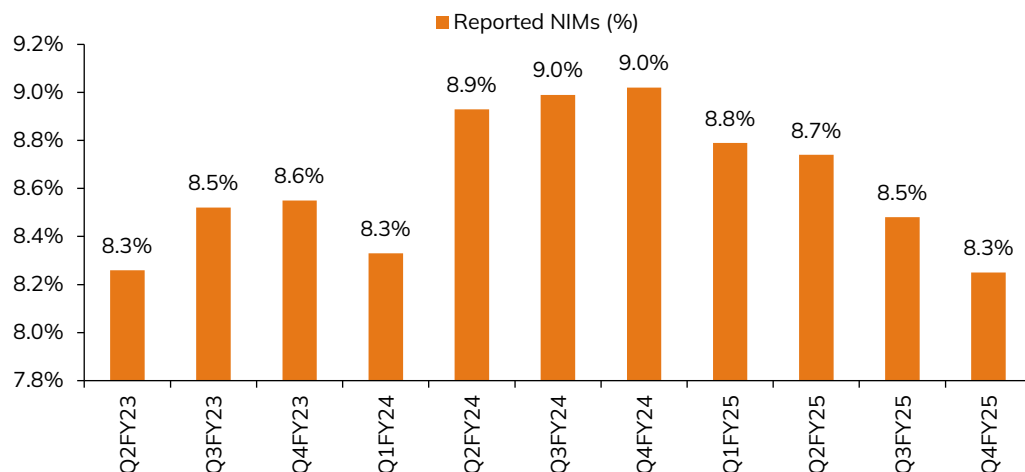
Source: Company data, I-Sec research

**Exhibit 4: Non-vehicle portfolio constituting MSME, gold and PL is doing well as synergy benefits drive growth**


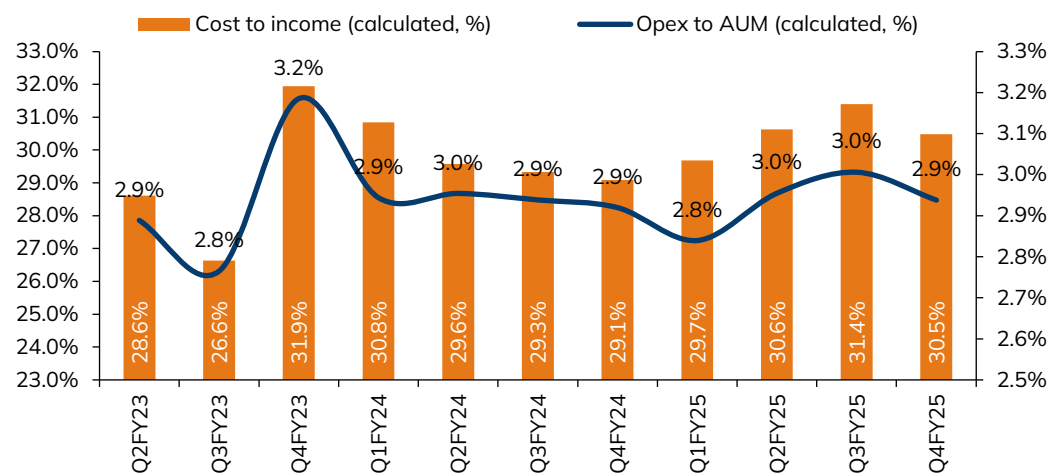
Source: Company data, I-Sec research

**Exhibit 5: Merger resulted in branch network of >3,200...**


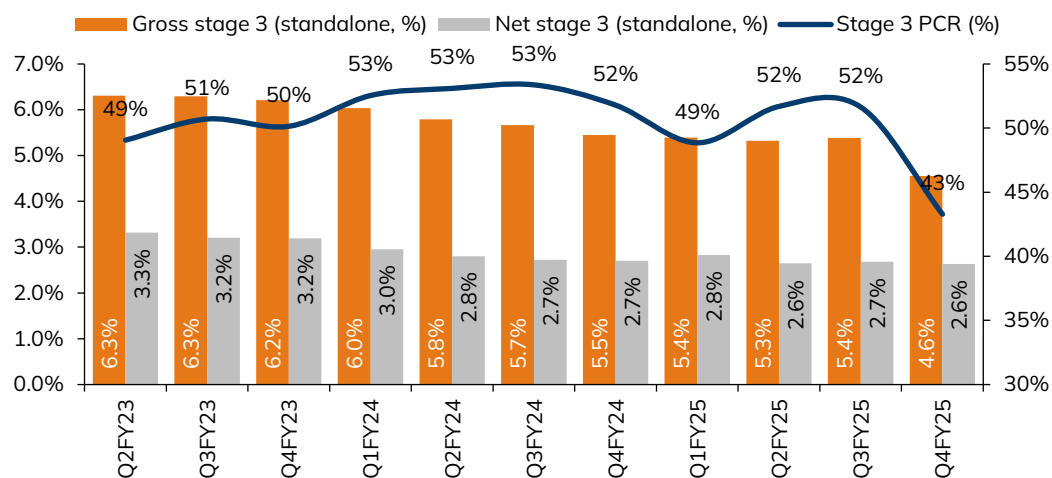
Source: Company data, I-Sec research

**Exhibit 6: NIM shrinks further QoQ by >20bps, owing to excess liquidity**

Source: Company data, I-Sec research

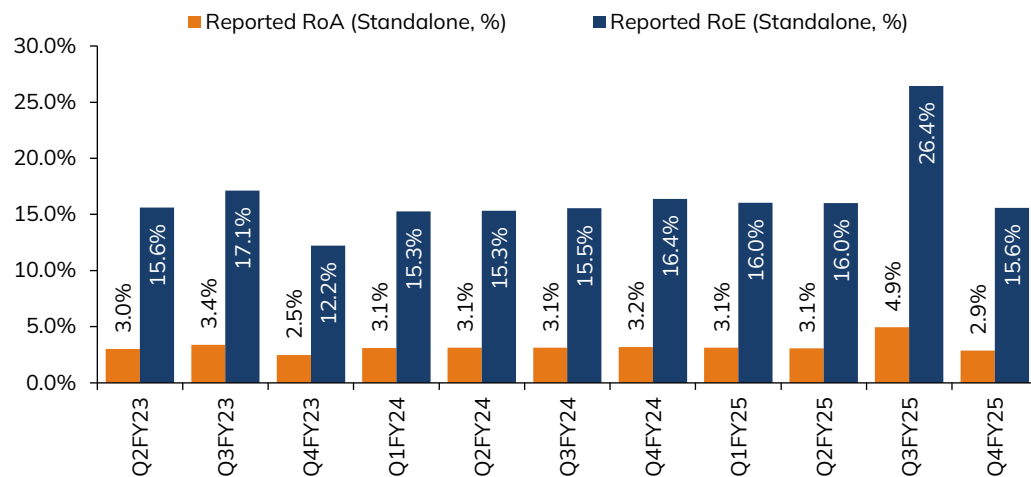
**Exhibit 7: Cost to income hovering in broad range of 28-30%**

Source: Company data, I-Sec research

**Exhibit 8: Decline in GNPA metrics aided by write-offs**

Source: Company data, I-Sec research



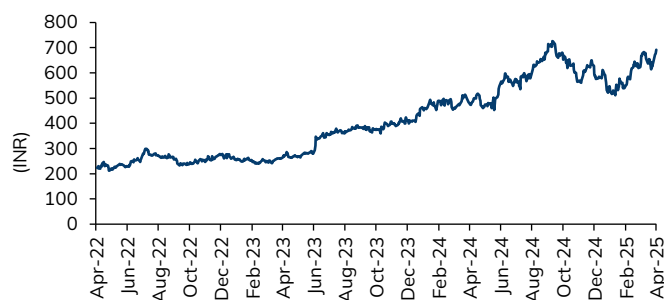
**Exhibit 9: RoE hovering around 15% and RoE around 3%**


Source: Company data, I-Sec research

**Exhibit 10: Shareholding pattern**

%	Sep'24	Dec'24	Mar'25
Promoters	25.4	25.4	25.4
Institutional investors	69.6	68.9	67.3
MFs and others	10.6	10.5	10.0
FIs/Banks	1.2	1.5	0.5
Insurance	4.0	3.5	3.2
FIIIs	53.7	53.4	53.6
Others	5.1	5.7	7.3

Source: Bloomberg, I-Sec research

**Exhibit 11: Price chart**


Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	3,36,011	4,03,093	4,68,841	5,31,629
Interest Expenses	(1,48,026)	(1,84,546)	(2,17,454)	(2,48,507)
Net Interest Income (NII)	1,87,985	2,18,548	2,51,387	2,83,122
<b>Total Income (net of interest expenses)</b>	<b>2,01,949</b>	<b>2,34,049</b>	<b>2,68,021</b>	<b>3,02,214</b>
Employee benefit expenses	(32,156)	(36,512)	(41,452)	(48,085)
Depreciation and amortization	(5,688)	(6,453)	(6,925)	(7,948)
Other operating expenses	(22,086)	(28,475)	(29,801)	(31,266)
Total Operating Expense	(59,930)	(71,440)	(78,178)	(87,299)
<b>Pre Provisioning Profits (PPoP)</b>	<b>1,42,019</b>	<b>1,62,609</b>	<b>1,89,843</b>	<b>2,14,915</b>
Provisions and write offs	(45,183)	(53,117)	(66,337)	(71,271)
<b>Profit before tax (PBT)</b>	<b>96,835</b>	<b>1,09,493</b>	<b>1,23,506</b>	<b>1,43,644</b>
Total tax expenses	(15,863)	(30,796)	(30,877)	(35,911)
<b>Profit after tax (PAT)</b>	<b>80,973</b>	<b>78,697</b>	<b>92,630</b>	<b>1,07,733</b>

Source Company data, I-Sec research

### Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	3,758	3,761	3,761	3,761
Reserves & surplus	4,81,926	5,59,045	6,38,163	7,30,160
<b>Shareholders' funds</b>	<b>4,85,684</b>	<b>5,62,806</b>	<b>6,41,923</b>	<b>7,33,920</b>
Borrowings	18,58,411	23,41,973	27,15,105	30,64,136
Provisions & Other Liabilities	28,543	30,551	35,134	40,404
<b>Total Liabilities and Stakeholder's Equity</b>	<b>23,72,638</b>	<b>29,35,329</b>	<b>33,92,162</b>	<b>38,38,459</b>
Cash and balance with RBI	76,112	2,13,657	2,94,619	2,87,850
Fixed assets	8,458	10,257	11,795	13,565
<b>Loans</b>	<b>21,86,956</b>	<b>23,13,411</b>	<b>28,03,439</b>	<b>32,20,070</b>
Investments	53,283	1,55,987	1,55,901	1,59,019
Deferred tax assets (net)	28,840	36,949	42,491	48,865
Other Assets	18,989	2,05,068	83,917	1,09,092
<b>Total Assets</b>	<b>23,72,638</b>	<b>29,35,329</b>	<b>33,92,162</b>	<b>38,38,459</b>

Source Company data, I-Sec research

## Exhibit 14: Key Ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>AUM and Disbursements (INR mn)</b>				
AUM	22,48,620	26,31,903	30,16,784	34,66,497
On-book Loans	22,16,677	25,99,159	29,86,616	34,31,832
Off-book Loans	31,943	32,744	30,168	34,665
Disbursements	13,57,594	15,50,653	17,74,032	20,32,918
<b>Growth (%):</b>				
Total AUM (%)	21.1	17.0	14.6	14.9
Disbursements (%)	21.4	14.2	14.4	14.6
Loan book (on balance sheet) (%)	20.9	17.3	14.9	14.9
Total Assets (%)	12.7	23.7	15.6	13.2
Net Interest Income (NII) (%)	17.8	16.3	15.0	12.6
Non-interest income (%)	7.2	11.0	7.3	14.8
Total Income (net of interest expenses) (%)	17.0	15.9	14.5	12.8
Operating Expenses (%)	22.8	19.2	9.4	11.7
Employee Cost (%)	22.0	13.5	13.5	16.0
Non-Employee Cost (%)	34.3	28.9	4.7	4.9
Pre provisioning operating profits (PPoP) (%)	14.7	14.5	16.7	13.2
Provisions (%)	8.4	17.6	24.9	7.4
PBT (%)	17.9	13.1	12.8	16.3
PAT (%)	34.7	(2.8)	17.7	16.3
EPS (%)	34.2	(2.9)	17.7	16.3
<b>Yields, interest costs and spreads (%)</b>				
NIM on loan assets (%)	9.5	9.7	9.8	9.4
NIM on IEA (%)	8.7	8.5	8.2	8.0
NIM on AUM (%)	9.2	9.0	8.9	8.7
Yield on loan assets (%)	16.9	17.9	18.3	17.7
Yield on IEA (%)	15.5	15.6	15.2	15.0
Yield on AUM (%)	16.4	16.5	16.6	16.4
Cost of borrowings (%)	8.5	8.8	8.6	8.6
Interest Spreads (%)	8.5	9.1	9.7	9.1
<b>Operating efficiencies</b>				
Cost to income ratio	29.7	30.5	29.2	28.9
Op.costs/avg assets (%)	2.7	2.7	2.5	2.4
Op.costs/avg AUM (%)	2.9	2.9	2.8	2.7
Salaries as % of non-interest costs (%)	53.7	51.1	53.0	55.1
NII /employee (INR mn)	2.5	2.7	2.9	3.0
AUM/employee(INR mn)	30.1	33.0	34.6	36.3
AUM/ branch (INR mn)	729.6	817.4	940.0	1,081.0
<b>Capital Structure</b>				
Average gearing ratio (x)	3.8	4.2	4.2	4.2
Leverage (x)	4.9	5.2	5.3	5.2
CAR (%)	21.6	23.8	24.1	24.4
Tier 1 CAR (%)	20.4	22.7	23.1	23.6
Tier 2 CAR (%)	1.2	1.1	0.9	0.8
RWA (estimate) - INR mn	20,88,029	23,88,081	27,87,803	32,17,952
RWA as a % of loan assets	95.5	103.2	99.4	99.9

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
<b>Asset quality and provisioning</b>				
GNPA (%)	5.5	4.6	5.1	5.2
NNPA (%)	2.6	2.6	2.8	2.9
GNPA (INR mn)	1,20,812	1,18,388	1,52,452	1,78,297
NNPA (INR mn)	58,244	67,145	83,848	98,063
Coverage ratio (%)	51.8	43.3	45.0	45.0
Credit Costs as a % of avg AUM (bps)	220	218	235	220
Credit Costs as a % of avg on book loans (bps)	223	221	238	222
<b>Return ratios</b>				
RoAA (%)	3.6	3.0	2.9	3.0
RoAE (%)	17.5	15.0	15.4	15.7
ROAAUM (%)	3.9	3.2	3.3	3.3
<b>Valuation Ratios</b>				
No of shares	1,879	1,880	1,880	1,880
No of shares (fully diluted)	1,879	1,880	1,880	1,880
EPS (INR)	43.1	41.9	49.3	57.3
EPS fully diluted (INR)	43.1	41.9	49.3	57.3
Price to Earnings (x)	15.2	15.7	13.3	11.4
Price to Earnings (fully diluted) (x)	15.2	15.7	13.3	11.4
Book Value (fully diluted)	258	299	341	390
Adjusted book value	235	273	308	351
Price to Book	2.5	2.2	1.9	1.7
Price to Adjusted Book	2.8	2.4	2.1	1.9

Source Company data, I-Sec research

## Exhibit 15: Key Metrics

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>DuPont Analysis</b>				
Average Assets (INR mn)	22,39,183	26,53,984	31,63,746	36,15,311
Average Loans (INR mn)	19,86,904	22,50,184	25,58,425	30,11,755
Average Equity (INR mn)	4,61,840	5,24,245	6,02,365	6,87,922
Interest earned (%)	15.0	15.2	14.8	14.7
Interest expended (%)	6.6	7.0	6.9	6.9
<b>Gross Interest Spread (%)</b>	<b>8.4</b>	<b>8.2</b>	<b>7.9</b>	<b>7.8</b>
Credit cost (%)	2.0	2.0	2.1	2.0
<b>Net Interest Spread (%)</b>	<b>6.4</b>	<b>6.2</b>	<b>5.8</b>	<b>5.9</b>
Operating cost (%)	2.7	2.7	2.5	2.4
<b>Lending spread (%)</b>	<b>3.7</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>
Non interest income (%)	0.6	0.6	0.5	0.5
<b>Operating Spread (%)</b>	<b>4.3</b>	<b>4.1</b>	<b>3.9</b>	<b>4.0</b>
Tax rate (%)	16.4	28.1	25.0	25.0
<b>ROAA (%)</b>	<b>3.6</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>
Effective leverage (AA/ AE)	4.8	5.1	5.3	5.3
<b>RoAE (%)</b>	<b>17.5</b>	<b>15.0</b>	<b>15.4</b>	<b>15.7</b>

Source Company data, I-Sec research

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