

May 27, 2025

## Q4FY25 Result Update

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	19,488	24,034	28,350	32,488
Growth (%)	15.2	23.3	18.0	14.6
Op. Profit (Rs m)	19,705	23,191	26,925	29,810
PAT (Rs m)	13,202	15,633	17,774	19,934
EPS (Rs.)	130.9	140.7	160.0	179.4
Gr. (%)	33.6	7.5	13.7	12.2
DPS (Rs.)	29.7	32.3	36.7	41.1
Yield (%)	0.6	0.6	0.7	0.8
Margin (%)	5.1	5.3	5.3	5.2
RoAE (%)	15.3	15.2	14.8	14.4
RoAA (%)	3.2	2.8	2.8	2.8
PE (x)	40.9	38.0	33.4	29.8
P/BV (x)	4.3	3.4	2.8	2.3
P/ABV (x)	4.4	3.4	2.8	2.3

### Key Data

SNFN.BO | SUF IN

52-W High / Low	Rs.5,536 / Rs.3,733
Sensex / Nifty	82,176 / 25,001
Market Cap	Rs.595bn/ \$ 6,987m
Shares Outstanding	111m
3M Avg. Daily Value	Rs.440.76m

### Shareholding Pattern (%)

Promoter's	37.22
Foreign	19.00
Domestic Institution	8.35
Public & Others	35.43
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	1.4	28.6	20.8
Relative	(2.3)	25.2	10.8

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## Soft disbursement growth; stable NIM

### Quick Pointers

- Lukewarm disbursement growth in the quarter (+11% YoY to Rs 68.7 bn)
- Stable NIM in the quarter as CoF pressure starts abating

**FY25 has seen soft disbursement growth (+9% YoY) due to low government spending/ general slowdown in economic activity. We build a growth of ~16% in FY26, anticipating a pick-up in economic activity in H2. Calculated NIM stood largely stable at 5.26%; we expect a similar trend in FY26 sided by a lower CoF. Asset quality trends have improved in the quarter with healthy collection activity. We value SUF's standalone business at Rs 4,145 (3.2x Mar-27 ABV) and assign a value of Rs 1,069 to subsidiaries with a 20% holding company discount to arrive at a TP of Rs 5,000. Our valuation indicates a discount over 5-year Average P/ABV of 3.6x due to weaker outlook on growth. We assume coverage with a HOLD rating as the stock price captures all the positives.**

- **FY25 disbursements tepid; expect ~16% growth in FY26E:** Q4 saw soft disbursement growth (11% YoY) at Rs 68.73 bn. While industry sales were flat/ soft across CV segments/ geographies, tractors and cars saw positive momentum. While the company has expanded market share across almost all asset classes, disbursement growth in FY25 has been weak (+9% YoY) on account of low government capex and a general slowdown in economic activity (elections/ tariff-related uncertainty). Company expects growth to recover in FY26 with a strong monsoon and pick-up in government spend and private capex. Q4 AUM grew 17% YoY/2.5% QoQ to Rs 514.8 bn, driven by steady growth in CVs and Cars. We factor an improvement in H2FY26E and build an AUM growth of ~16% in FY26E.
- **NIM improves with a reduction in CoF:** NII grew by 29% YoY/4% QoQ to Rs 6.68 bn. While CoF improved by 16 bps QoQ to 7.34%, it was offset by a decline in yield (-8bps QoQ to 11.96%). As a result, calculated NIM stood largely stable QoQ at 5.26%. Company is focusing on the right asset class/ customer mix to optimize margins; we expect a stable NIM in FY26 supported by a lower CoF. Opex grew 10% YoY (-1.1% QoQ) and C/I ratio improved to 26.9% (vs. 32.6% in 3QFY25). PBT saw a marked improvement (+56% YoY) on account of negligible credit costs in the quarter.
- **Headline asset quality ratios improve:** Asset quality trends saw a strong improvement in the quarter with Gross stage 3/Net stage 3 at 1.44%/ 0.75% vs. 1.7%/ 0.97 in 3QFY25. The company maintains a PCR of 49%. GNPA/NNPA (as per the RBI's new norms) stood at 2.17%/ 1.38% vs. 2.46%/ 1.62% in 3QFY25. Despite system-wide asset quality concerns particularly in the MFI/ Unsecured loan segment, collection activity remained healthy at 92%. Capital Adequacy Ratio stood at 20.4% as of 4QFY25.
- **Subsidiaries report healthy performance:** (1) Sundaram Home Finance – AUM grew by 26% YoY, in-line with PAT growth. The proportion of Non-

housing loans increased to 42% from 39% in Q4FY24. Asset quality trend saw an improvement (GNPA/NNPA at 1.0%/ 0.5% vs. 1.3%/0.7% in 3QFY25). Company continues to focus on the Self-employed segment and is growing its affordable lending portfolio as well. (2) Royal Sundaram – GWP grew 6.4% YoY to Rs 10.99 bn. The company reported a small loss in the quarter (-Rs 10 mn) due to high claims. (3) Sundaram Asset Management – Average AUM remained largely flat YoY and stood at Rs 718.3 bn. PAT grew 21% YoY to Rs 460 mn. The proportion of equity-oriented schemes stood at 81.7%.

**Exhibit 1: Q4FY25 Result Overview (Rs mn)**

Particulars (Rsmn)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
NII	5,170	6,427	6,685	29.3%	4.0%
YoY (%)	20.0	28.3	29.3		
Other Income	3,292	1,859	3,244	-1.5%	74.5%
Net Revenue	8,461	8,286	9,929	17.3%	19.8%
Opex	2,425	2,700	2,671	10.1%	-1.1%
PPOP	6,036	5,586	7,258	20.2%	29.9%
YoY (%)	43.1	35.9	20.2		
Provisions	1,378	912	-11	-100.8%	-101.2%
PBT	4,658	4,674	7,269	56.1%	55.5%
Tax	934	1,183	1,811	93.9%	53.0%
ETR (%)	20.0	25.3	24.9		
PAT	5,063	3,491	5,459	7.8%	56.4%
YoY (%)	60.0	16.3	7.8		
<b>Business Metrics</b>					
AUM (Rs bn)	439.9	502.0	514.8	17.0%	2.5%
YoY (%)	27.3	19.0	17.0		
Disbursements (Rs bn)	62.1	77.6	68.7	10.7%	-11.5%
YoY (%)	15.4	19.0	10.7		
<b>Asset Quality Metrics</b>					
GNPA (%)	1.26	1.70	1.44	18 bps	-26 bps
NNPA (%)	0.63	0.97	0.75	12 bps	-22 bps
PCR (%)	50.0	43.0	49.0	-100 bps	600 bps

Source: Company, PL

**Exhibit 2: Break-up of our SoTP of Rs. 5,000**

Entity	Valuation Method	Value per share (Rs)
Sundaram Finance (Standalone)	3.2x Mar-27 ABV, adjusted for subsidiaries cost of investment	4,145
Sundaram Home Finance (Subsidiary)	1.5x FY25 Networth	283
Sundaram Asset Management (Subsidiary)	10% of last reported AUM	646
Royal Sundaram (General Insurance JV)	Valued on last transaction basis	137
Other subsidiaries & Associates	Net worth of other investments on FY25basis	3
	20% holding company discount	214
	Target Price	5,000

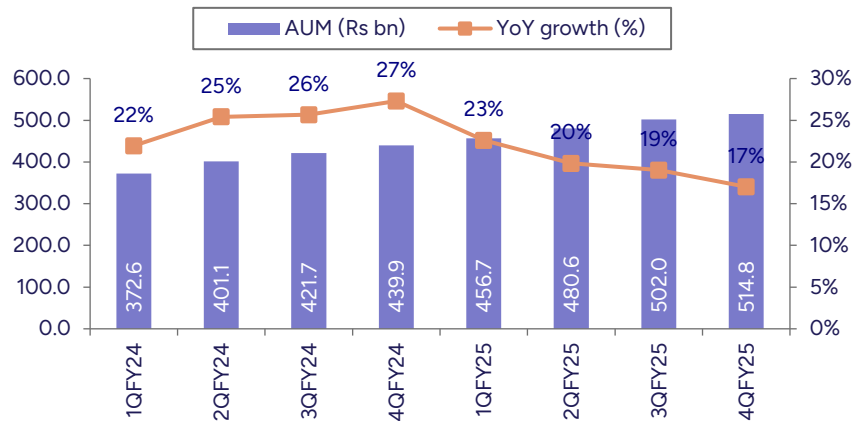
Source: Company, PL

**Exhibit 3: One-year forward P/ABV of SUF trades at 4.6x**



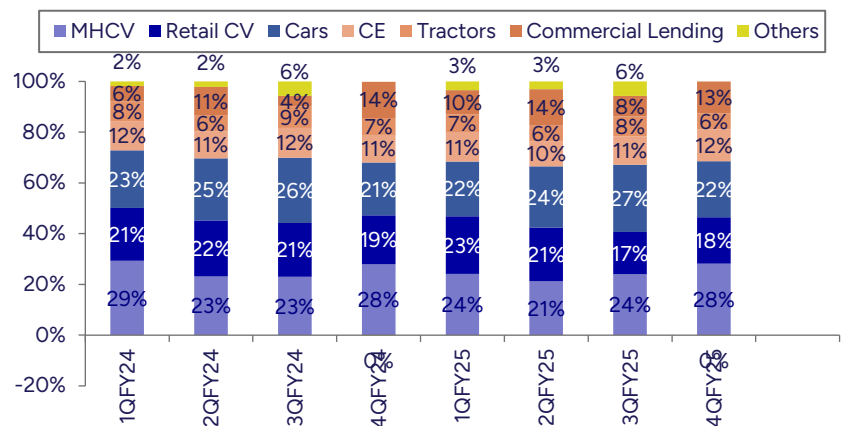
Source: Company, PL

**Exhibit 4: AUM has grown 17% YoY to Rs 514.8 bn**



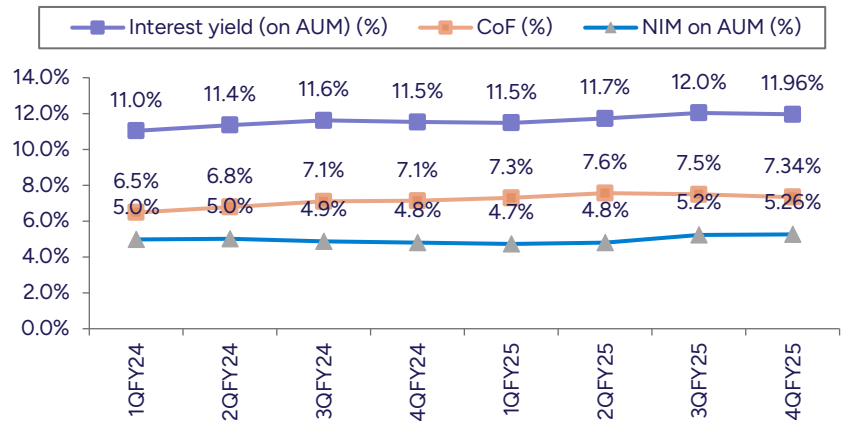
Source: Company, PL

**Exhibit 5: ...with strong growth in MHCV, Cars and CE**



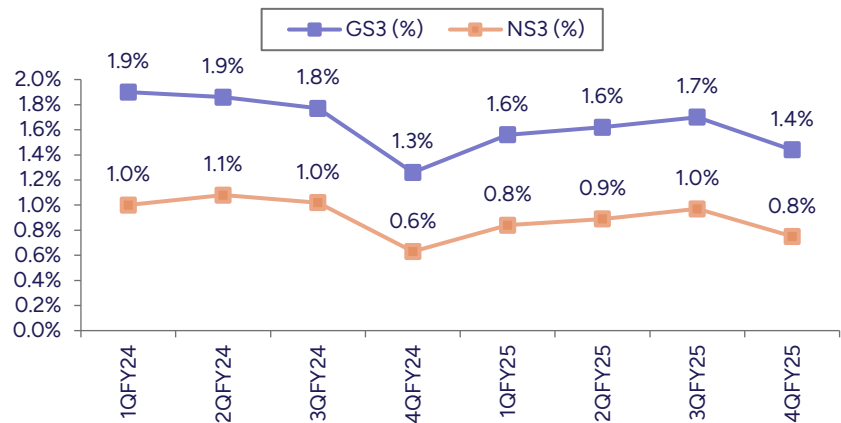
Source: Company, PL

**Exhibit 6: NIM has seen a sequential improvement with a reduction in CoF**



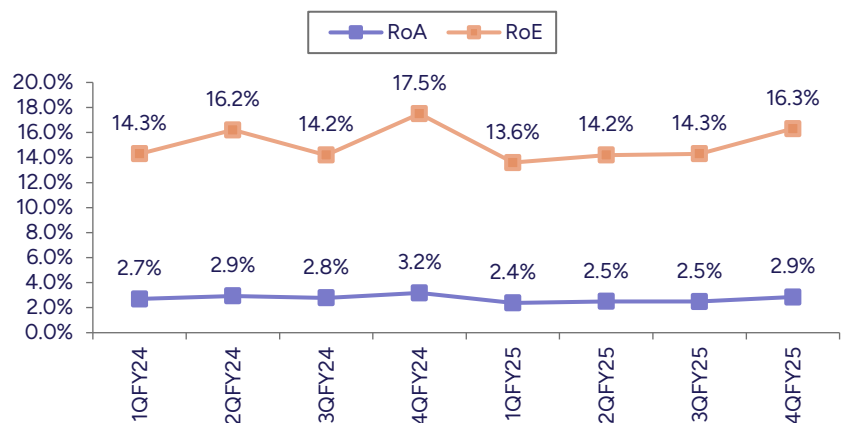
Source: Company, PL

**Exhibit 7: Headline asset quality ratios have improved with healthy collections**



Source: Company, PL

**Exhibit 8: Return ratios have improved – RoA/ RoE (%)**



Source: Company, PL



#### Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	45,246	56,574	65,458	73,786
Interest Expenses	25,758	32,540	37,108	41,299
<b>Net interest income</b>	<b>19,488</b>	<b>24,034</b>	<b>28,350</b>	<b>32,488</b>
Growth(%)	15.2	23.3	18.0	14.6
Non-interest income	9,698	9,546	10,449	9,862
Growth(%)	52.0	(1.6)	9.5	(5.6)
Net operating income	29,186	33,580	38,799	42,350
<b>Expenditures</b>				
Employees	5,485	6,430	5,937	6,270
Other Expenses	2,678	3,959	5,937	6,270
Depreciation	1,318	-	-	-
Operating Expenses	9,481	10,389	11,874	12,540
<b>PPP</b>	<b>19,705</b>	<b>23,191</b>	<b>26,925</b>	<b>29,810</b>
Growth(%)	26.8	17.7	16.1	10.7
Provisions	2,738	2,368	3,313	3,328
<b>Profit Before Tax</b>	<b>16,967</b>	<b>20,823</b>	<b>23,612</b>	<b>26,482</b>
Tax	3,765	5,190	5,838	6,549
Effective Tax rate(%)	22.2	24.9	24.7	24.7
<b>PAT</b>	<b>13,202</b>	<b>15,633</b>	<b>17,774</b>	<b>19,934</b>
Growth(%)	21.3	18.4	13.7	12.2

#### Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Source of funds</b>				
Equity	1,111	1,111	1,111	1,111
Reserves and Surplus	93,606	1,10,280	1,27,879	1,47,621
Networth	94,717	1,11,391	1,28,990	1,48,732
Growth (%)	22.4	17.6	15.8	15.3
Loan funds	4,08,769	4,73,201	5,48,435	6,27,347
Growth (%)	24.8	15.8	15.9	14.4
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	6,392	7,556	(10,781)	(12,473)
<b>Total Liabilities</b>	<b>5,09,878</b>	<b>5,92,148</b>	<b>6,66,644</b>	<b>7,63,605</b>
<b>Application of funds</b>				
Net fixed assets	5,596	6,564	6,829	7,105
Advances	4,20,768	4,93,735	5,77,300	6,60,365
Growth (%)	24.7	17.3	16.9	14.4
Investments	63,829	68,626	79,511	93,016
Current Assets	14,184	19,745	-	-
<b>Net current assets</b>	<b>14,184</b>	<b>19,745</b>	<b>-</b>	<b>-</b>
Other Assets	5,501	3,478	3,004	3,118
<b>Total Assets</b>	<b>5,09,878</b>	<b>5,92,148</b>	<b>6,66,644</b>	<b>7,63,605</b>
Growth (%)	24.2	16.1	12.6	14.5
<b>Business Mix</b>				
AUM	4,39,870	5,14,760	5,95,254	6,80,903
Growth (%)	27.3	17.0	15.6	14.4
On Balance Sheet	4,39,870	5,14,760	5,95,254	6,80,903
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

#### Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	5.1	5.3	5.3	5.2
ROAA	3.2	2.8	2.8	2.8
ROAE	16.9	15.2	14.8	14.4

Source: Company Data, PL Research

#### Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Int. Inc. / Operating Inc.	12,868	13,732	14,779	15,196
Income from securitization	-	-	-	-
Interest Expenses	7,570	8,108	8,352	8,511
<b>Net Interest Income</b>	<b>5,298</b>	<b>5,625</b>	<b>6,427</b>	<b>6,685</b>
Growth (%)	18.5	15.8	28.3	29.3
Non-Interest Income	1,895	2,389	1,859	3,244
<b>Net Operating Income</b>	<b>7,193</b>	<b>8,013</b>	<b>8,286</b>	<b>9,929</b>
Growth (%)	10.6	4.6	25.9	17.3
Operating expenditure	2,438	2,580	2,700	2,671
<b>PPP</b>	<b>4,755</b>	<b>5,433</b>	<b>5,586</b>	<b>7,258</b>
Growth (%)	-	-	-	-
Provision	734	734	912	(11)
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	4,022	4,699	4,674	7,269
Tax	945	1,251	1,183	1,811
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	23.5	26.6	25.3	24.9
<b>PAT</b>	<b>3,077</b>	<b>3,448</b>	<b>3,491</b>	<b>5,459</b>
Growth	9	(6)	16	47
AUM	4,56,710	4,80,580	5,01,990	5,14,760
YoY growth (%)	22.6	19.8	19.0	17.0
Borrowing	4,20,788	4,36,996	4,54,539	4,73,201
YoY growth (%)	22.5	15.5	12.7	15.8

#### Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	5,351	5,351	5,351	5,351
EPS (Rs)	130.9	140.7	160.0	179.4
Book value (Rs)	1,241.0	1,593.6	1,915.6	2,335.8
Adj. BV(Rs)	1,221.4	1,564.0	1,889.0	2,302.3
P/E(x)	40.9	38.0	33.4	29.8
P/BV(x)	4.3	3.4	2.8	2.3
P/ABV(x)	4.4	3.4	2.8	2.3
DPS (Rs)	29.7	32.3	36.7	41.1
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	0.6	0.6	0.7	0.8

#### Asset Quality

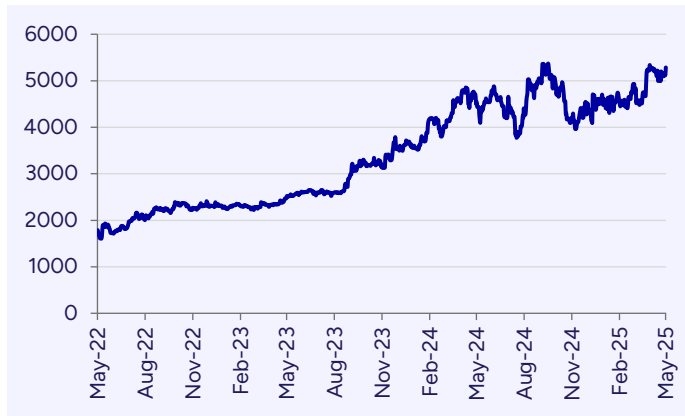
Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	8,573	7,413	9,446	11,913
Net NPA(Rs m)	5,385	3,861	4,723	5,838
Gross NPAs to Gross Adv.(%)	1.3	1.4	1.6	1.7
Net NPAs to net Adv.(%)	0.6	0.8	0.8	0.9
NPA coverage(%)	37.2	47.9	50.0	51.0

#### Du-Pont as a % of AUM

NII	4.2	4.4	4.5	4.5
NII INCI. Securitization	4.2	4.4	4.5	4.5
Total income	11.9	12.0	12.1	11.7
Operating Expenses	2.1	1.9	1.9	1.8
PPOP	4.3	4.2	4.3	4.2
Total Provisions	0.6	0.4	0.5	0.5
RoAA	3.2	2.8	2.8	2.8
Avg. Assets/Avg. net worth	5.3	5.3	5.2	5.1
RoAE	15.3	15.2	14.8	14.4

Source: Company Data, PL Research

## Price Chart



## Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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## Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	9,000	9,093
2	Cholamandalam Investment and Finance Company	Hold	1,575	1,526
3	Shriram Finance	Hold	685	655

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

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