

27 July 2025

India | Equity Research | Results Update

## Shriram Finance

NBFCs

### Q1FY26 core performance stands firm; lower other income pinch earnings

Shriram Finance's (Shriram) Q1FY26 core operating performance remained strong with NII growth at 4% QoQ/10% YoY and a sequential easing in credit cost to 1.9% vs. 2.4% QoQ. However, lower other income, at INR 3.6bn (down 45% QoQ) vs. INR6.6bn QoQ, restrained PAT at INR 21.6bn, up only 1% QoQ, during Q1FY26. While headline asset quality is healthier, evidenced by a modest shrinking in the GNPL ratio to 4.53% vs. 4.55% QoQ, burgeoning Stage-2 assets in CV (45% of AUM), PV (21%) and CE (6%) casts a shadow on credit cost's trajectory – even in the context of write-offs (cal.) having sequentially retreated to ~20bps vs. >100bps QoQ. Even so, management is confident about maintaining credit cost below 2% in FY26 while highlighting that it does not foresee any risk in the MSME portfolio at this juncture.

Amid a challenging operating environment, especially in certain segments such as MSME, entry-level PV and used CV, credit cost moderation in Q1FY26 reflects its business resiliency and risk management. Further, management highlighted that an uptick in early buckets (Stage-2 assets) is transitory (cash-flow mismatch at the borrower level is due to seasonality and not stress); hence, it expects asset quality (mainly Stage-3 assets) to remain strong in FY26. It maintains full-year FY26 credit cost guidance at 2%. Maintain **HOLD** with an unchanged TP of INR 640, valuing the stock at 1.75x Sep'26E BVPS.

### Underlying MSME asset quality remains strong; no sign of customer over-leverage; credit cost guidance unchanged

Management highlighted that its exposure to the MSME segment (~14% of AUM) is mainly towards the trading sector and small-ticket loans. It also flags that a number of loans per MSME borrower is not more than two; also, in most cases, the second loan is a gold loan. Hence, it believes, a slowdown in activity is seasonal and expects activity to pick up in Q2/Q3FY26. While Stage-3 assets inched up to 4.12% during Q1FY26 from 4.08% QoQ, the same is significantly lower than 4.86% in Q1FY25. Apart from the MSME segment, it also highlighted that an uptick in Stage-2 assets in the CV/PV segments is transient and unlikely to slip into Stage-3. Hence, it maintained full-year FY26 credit cost guidance at 2%.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income (NII)	187,985	218,548	260,509	299,836
PAT (INR mn)	80,973	88,501	95,162	111,826
EPS (INR)	43.1	47.1	50.6	59.5
% Chg YoY	34.2	9.2	7.5	17.5
P/E (x)	14.3	13.1	12.2	10.4
P/BV (x)	2.4	2.1	1.8	1.6
Gross Stage - 3 (%)	5.5	4.6	5.0	5.1
Dividend Yield (%)	-	-	-	-
RoA (%)	3.2	3.7	3.0	3.0
RoE (%)	15.6	18.6	15.8	16.2

#### Renish Bhuva

renish.bhuva@icicisecurities.com  
+91 22 6807 7465

#### Chintan Shah

chintan.shah@icicisecurities.com

#### Gaurav Toshniwal

gaurav.toshniwal@icicisecurities.com

#### Market Data

Market Cap (INR)	1,158bn
Market Cap (USD)	13,385mn
Bloomberg Code	SHFL IN EQUITY
Reuters Code	SHMF.BO
52-week Range (INR)	730 /493
Free Float (%)	74.0
ADTV-3M (mn) (USD)	49.9

Price Performance (%)	3m	6m	12m
Absolute	(6.0)	16.8	14.9
Relative to Sensex	(8.8)	9.8	13.2

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
PAT	-	-

#### Previous Reports

06-07-2025: [NBFCs Q1FY26 preview](#)

26-04-2025: [Q4FY25 results review](#)

### **Q1FY26 – core performance strength steadfast; excess liquidity, lower fees and commission dent earnings marginally**

Shriram's core financial performance remained strong with NII growth at 4% QoQ and credit cost moderating to a four-quarter low of 1.9% during Q1FY26 (2.4%/2.07% in Q4FY25/Q1FY25). NII growth was bolstered by 3.4% QoQ AUM growth. NIM contracted 14bps QoQ, mainly due to softer DA income and negative carry rooted in Shriram holding excess liquidity as on Jun'25. Other income fell sharply by 45% QoQ to INR 3.6bn during Q1FY26 vs. INR 6.6bn in Q4FY25, arising out of an absence of collection commission on DA transactions in Q1FY26; this was INR 1.7bn in Q4FY25. Other operating expenses dipped 3% QoQ driven by a 16% QoQ decline in fees and commissions; that said, staff cost grew 8% QoQ during Q1FY26. Overall, lower other income resulted in 3% QoQ decline in PPop. However, an 18% QoQ decline in total provisions led to 5% QoQ growth in PAT. RoA stood at 2.8% and RoE at 15.07% during Q1FY26. Asset quality improved with Stage-3 receding to 4.53% vs. 4.55% QoQ.

### **Q1FY26 MSME growth slows; used CV traction robust, no signs of weakness; expects full-year FY26 growth to remain at ~15% YoY**

Shriram reported AUM growth of 3.4% QoQ/17% YoY, mainly driven by three segments – farm equipment portfolio, up 12% QoQ, 7% QoQ each in gold loans/personal loans and 5% QoQ growth in the PV segment. Notably, growth was equally supported by a 4% QoQ increase in its largest portfolio, used CV (45% of total AUM), during Q1FY26. As a result, CV's share in its overall loan mix increased marginally to 45.2% in Q1FY26 vs. 45% QoQ. In contrast, CE fell 8% QoQ, 2W grew a modest 2% QoQ and MSME 3% QoQ.

The MSME segment witnessed its slowest growth, at 3% QoQ, in Q1FY26 vs. an average of 10% QoQ during the past six quarters. While management acknowledges the slowdown, it attributes this to seasonality and expects a strong recovery in Q2/Q3FY26. Hence, it expects growth in the MSME segment to revive in near-term.

Management highlighted that the recent AUM growth in the CV segment (~45% of loans, as on Mar'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 a higher ticket-size segment. It also highlighted that vehicle cost has gone up by ~30% in the past three years. Overall, it conservatively guides for 15% AUM growth in FY26.

### **Rate rationalisation in deposit rates and 15% floating borrowing repriced at lower level to drive improvement in CoF ahead**

NIM, during Q1FY26, fell to 8.11% vs. 8.25% QoQ, 14bps QoQ contraction was mainly driven by excess liquidity on balance sheet. Currently, Shriram holds five months of liquidity as a buffer (cash and mutual fund investments) vs. its aim of three months liquidity. It plans to deploy the excess INR 100bn over the next 3–4 months and the same would drive NIM higher in coming quarter. Cost of funds fell by 7bps QoQ during Q1FY26 to 8.88% vs. 8.95% QoQ; management expects the figure to continue trending lower, as it derives comfort from a sharp 50bps reduction in incremental CoF at 8.37% vs. 8.86% QoQ. Shriram highlighted that it has rationalised deposit rates in Q1FY26 and cut 40bps, effective Aug'25, to factor in RBI's 100bps repo rate cut. Further, ~15% of floating borrowing repricing at lower levels would also help pare CoF in upcoming quarters. With levers on CoF improvement and stable asset yields, it expects NIM to improve gradually and settle at 8.5% by Q4FY26.

**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.

## Q1FY26 conference call takeaways

### Disbursements

- **Disbursements for the quarter at INR 418.16bn**
- **Disbursements break-up (INR bn)**
  - CV 169.17 (167.77 QoQ)
  - PV 81.62 (82.56 QoQ)
  - MSME 63.57 (76.60 QoQ)
  - Gold 32.91 (31.05 QoQ)
  - 2W 30.81 (29.19 QoQ)
  - PL 22.05 (28.90 QoQ)
  - FE 12.73 (10.61 QoQ)
  - CE 5.26 (21.80 QoQ) lower QoQ due to slow construction activity, which is more of postponement and hence could see pick-up in September

### Margins

- **Confident that margins shall be 8.5% by Q4FY26 vs. 8.11% in Q1FY26 and 8.79% a year ago**
- Reported NII includes INR 1.34bn of other income vs. INR 1.11bn QoQ
- No assignment income in Q1FY26, as *nil* assignment transactions in Q1FY26
- INR 1.7bn income was from DA transaction in Q4, which is *nil* in current quarter
- **Currently, it has 5 months of liability repayments as liquidity, which is expected to decline further. Overall, aim is to maintain liquidity at 3 months of liability repayments**
- Some bulk repayments on the borrowing front can be expected in the coming quarters
- On steady state basis, there would be INR 180-190bn of excess liquidity
- Investments are primarily into liquid investments
- **Incremental CoF is expected to decline further**
- **Over the next 6-12 months, it should be able to pare borrowing cost**
- **Q2 is expected to be much better than Q1 on the overall performance front**

### Liabilities

- **10% QoQ growth in deposits**
- From first-week Aug'25, deposit rates shall reduce by 40bps on incremental basis
- **7.6% would be incremental cost of deposits and 8.8% is total cost of deposits, including sourcing and commission cost.** This would be ~8.3% in next quarter, post deposits cut
- **55% of deposits is from senior citizens**
- However, this is much cheaper, as compared to bank borrowings
- **NCD 775-780bps is incremental cost of borrowings**

### AUM

- **Yields have been largely stable over the quarters, while the decline in margins can largely be attributed to excess liquidity**
- Slowdown in MSME demand in Q1 led to slower growth in Q1, but this is largely seasonal in nature, after strong Q3 and Q4
- **On course to meet AUM growth guidance**
- **Used CV segment is doing well for Shriram**
- **Resale prices have not dropped anywhere in the country. It is not seeing any weakness in the truck market in value or in revenue earnings for both new as well as used vehicles**
- **There is no change in repossession mechanism**

- Most of the companies in the past few years have not repossessed much vehicles, because used vehicles prices have inched up. Hence, customers look to dispose the vehicle and close the loan in a stress scenario.
- **Entry-level car demand, especially new vehicles, are on the lower side. However, entry-level car demand for used cars is increasing**
- People who are looking to buy entry-level cars are preferring to shift to company-used SUVs
- **Expect LCV sales to inch up, as the last 6 months have been good in rural areas**
- Rarely, its MSME customer base has personal loan or unsecured loan, though gold loan could be possible

#### Asset quality

- Stage-2 rise is quite marginal, as customers keep on moving between Stage-1 and Stage-2
- **Credit cost guidance below 200bps on total assets remains unchanged**
- **MSME business is largely to small customers, and it has not seen an earnings mismatch**
- **Write-off, at INR 4.48bn, and provisions, at ~INR 8.2bn, totals to INR 12.68bn**

#### Opex

- Staff cost has primarily increased due to increment and annual bonus
- **Higher commission paid to deposit agents due to increase in deposit inflow in current quarter has led to higher commission expense**

### 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%

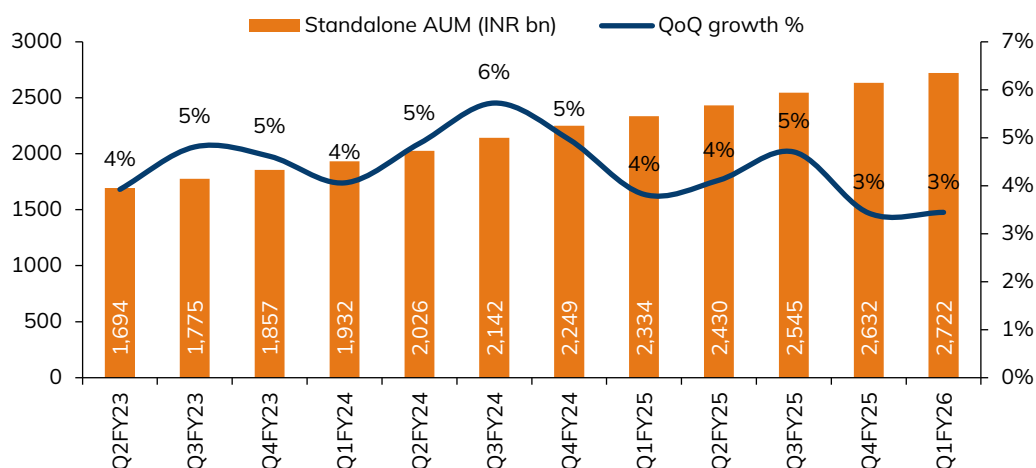
#### Miscellaneous

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

**Exhibit 1: Q1FY26 result review – Shriram Finance (standalone)**

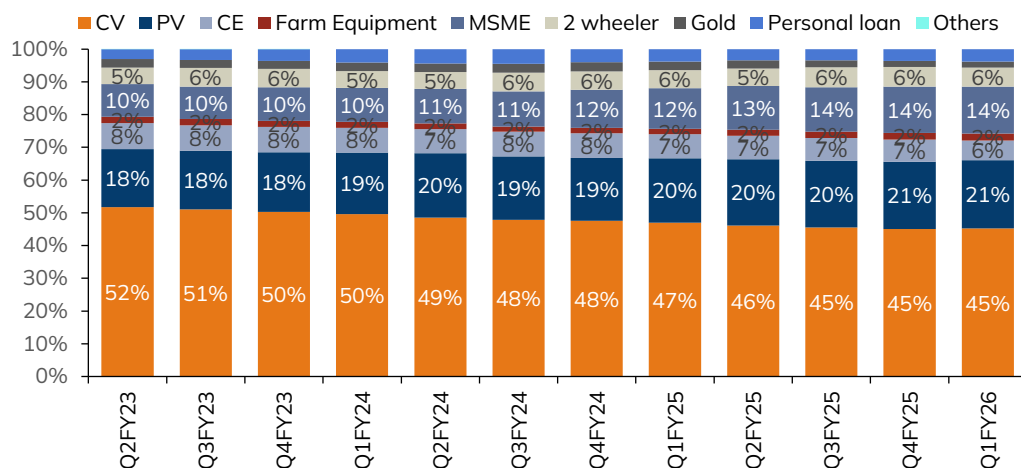
	Q1FY26	Q1FY25	% Chg YoY	Q4FY25	% Chg QoQ
<b>Income statement (INR mn)</b>					
Net interest Income	57,725	52,339	10.3%	55,655	3.7%
Add: Other Income	3,685	2,469	49.3%	6,707	-45.1%
<b>Total Net income</b>	<b>61,410</b>	<b>54,808</b>	<b>12.0%</b>	<b>62,363</b>	<b>-1.5%</b>
Less: Operating expenses	19,486	16,267	19.8%	19,010	2.5%
-Employee benefit expense	9,765	8,684	12.5%	9,057	7.8%
-Depreciation & amortization	1,731	1,535	12.8%	1,711	1.2%
-Other expense	7,990	6,048	32.1%	8,242	-3.1%
<b>Pre-provisioning profit</b>	<b>41,924</b>	<b>38,541</b>	<b>8.8%</b>	<b>43,353</b>	<b>-3.3%</b>
Less: Provisions & write-offs	12,857	11,876	8.3%	15,633	-17.8%
<b>PBT</b>	<b>29,067</b>	<b>26,666</b>	<b>9.0%</b>	<b>27,720</b>	<b>4.9%</b>
Less: Taxes	7,510	6,860	9.5%	6,326	18.7%
<b>Adjusted PAT (without associate PAT)</b>	<b>21,557</b>	<b>19,806</b>	<b>8.8%</b>	<b>21,394</b>	<b>0.8%</b>
<b>Balance sheet key items (INR mn)</b>					
AUM	27,22,490	23,34,436	16.6%	26,31,903	3.4%
Loan assets on balance sheet	25,39,346	21,58,220	17.7%	24,53,928	3.5%
Networth	5,84,755	5,05,596	15.7%	5,62,806	3.9%
Borrowings	24,29,113	19,17,455	26.7%	23,41,973	3.7%
<b>Asset Quality</b>					
Gross stage 3 (INR mn)	1,21,995	1,24,078	-1.7%	1,18,388	3.0%
Gross stage 3	4.5%	5.4%	-86 bps	4.6%	-3 bps
Net stage 3 (INR mn)	67,933	63,460	7.0%	67,145	1.2%
Net stage 3	2.6%	2.8%	-26 bps	2.6%	-7 bps
Credit cost (annualised)	1.9%	2.1%	-16 bps	2.4%	-50 bps
<b>Key ratios (annualised)</b>					
Yield on AUM	16.7%	16.3%	35 bps	16.7%	1 bps
Cost of funds	9.1%	8.7%	30 bps	9.1%	-8 bps
NIMs on AUM	8.6%	9.1%	-52 bps	8.6%	2 bps
Other income on AUM	0.6%	0.4%	11 bps	1.0%	-49 bps
Cost to income	31.7%	29.7%	205 bps	30.5%	124 bps
Opex to AUM	2.9%	2.8%	7 bps	2.9%	-3 bps
RoA	2.9%	3.3%	-41 bps	3.0%	-10 bps
RoE	15.0%	16.0%	-96 bps	15.4%	-36 bps
Debt to Equity (times)	4.2	3.8	9.5%	4.2	-0.2%

Source: Company data, I-Sec research

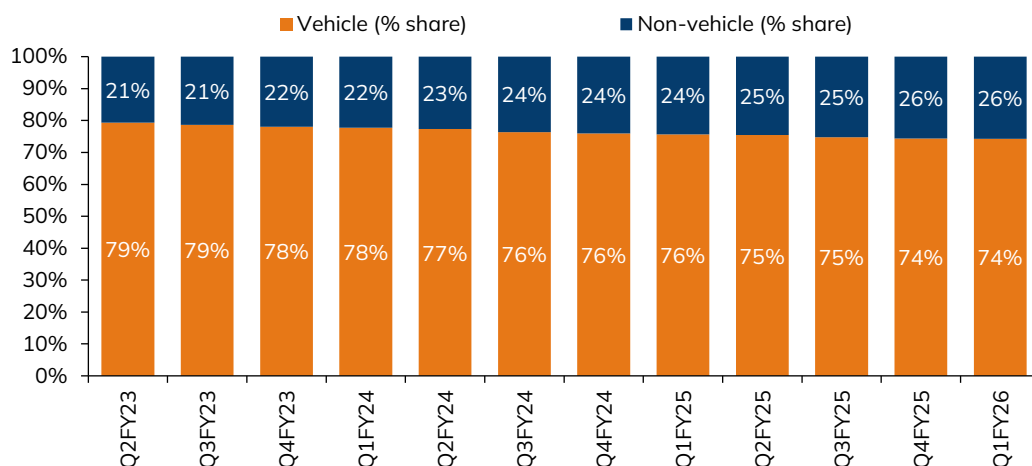
**Exhibit 2: Standalone AUM grew 17% YoY / 3% QoQ**

Source: Company data, I-Sec research

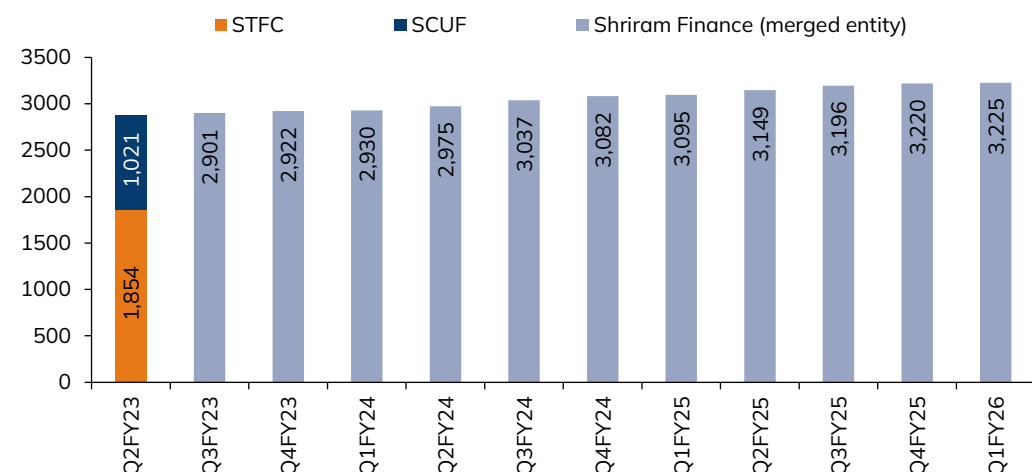


**Exhibit 3: Non-CV segments are gaining share in overall portfolio mix; PV segment share increased to >20%**


Source: Company data, I-Sec research

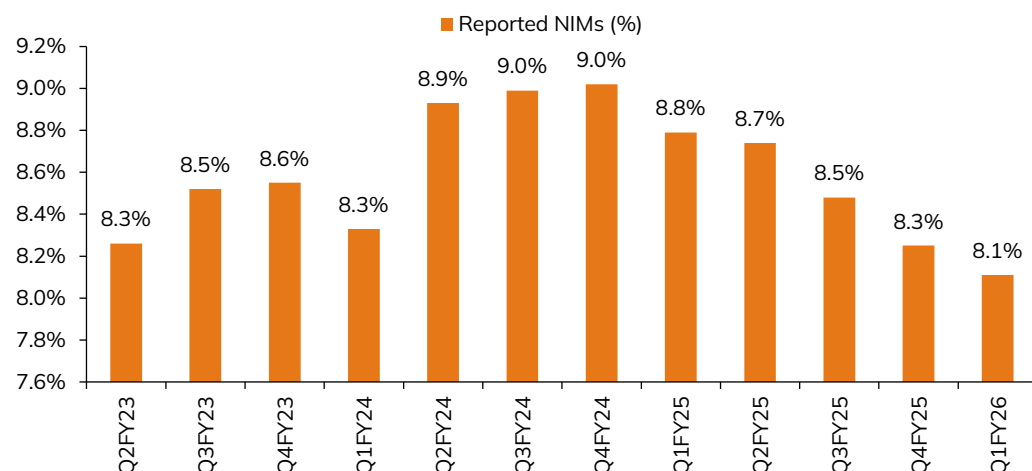
**Exhibit 4: Non-vehicle portfolio constituting MSME, gold and PL is doing well as synergy benefits drive growth**


Source: Company data, I-Sec research

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


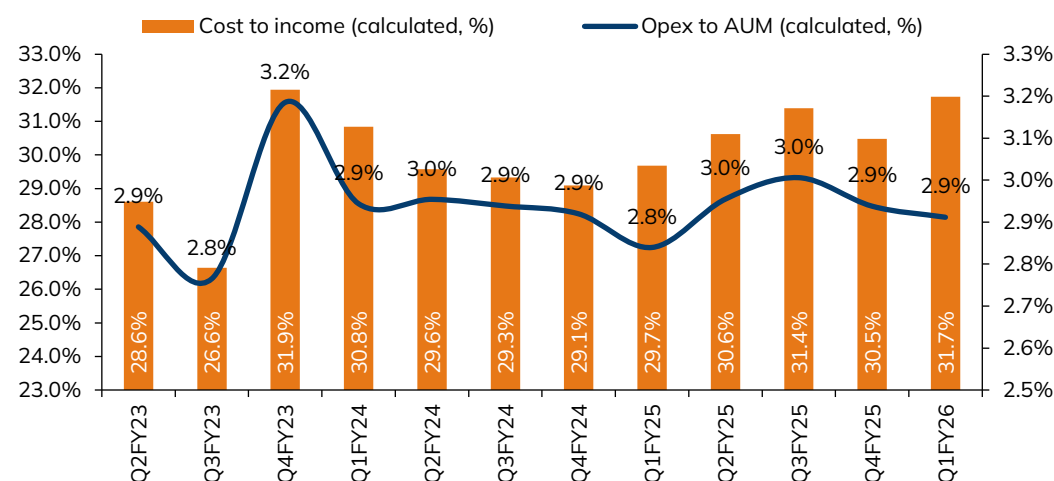
Source: Company data, I-Sec research

**Exhibit 6: NIM shrinks further QoQ by ~14bps, owing to excess liquidity & stable yields**



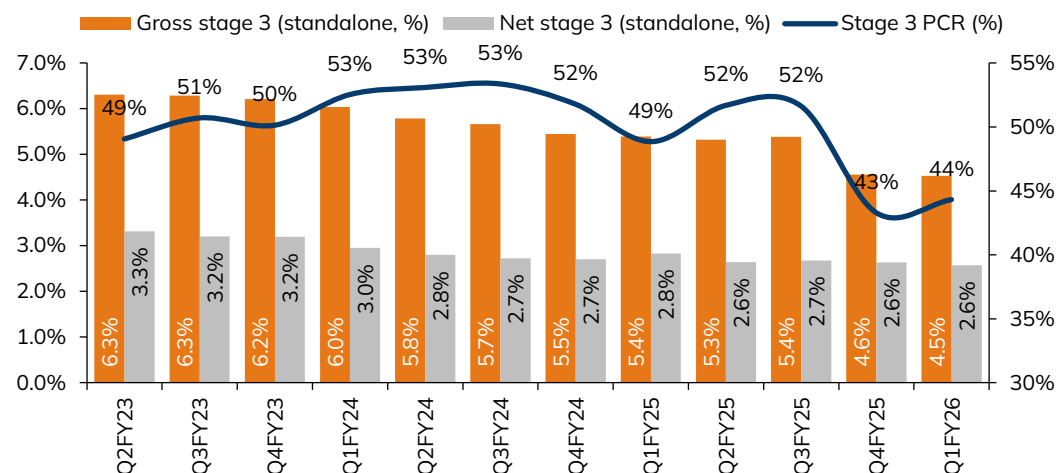
Source: Company data, I-Sec research

**Exhibit 7: Cost to income hovering in broad range of 28-32%**



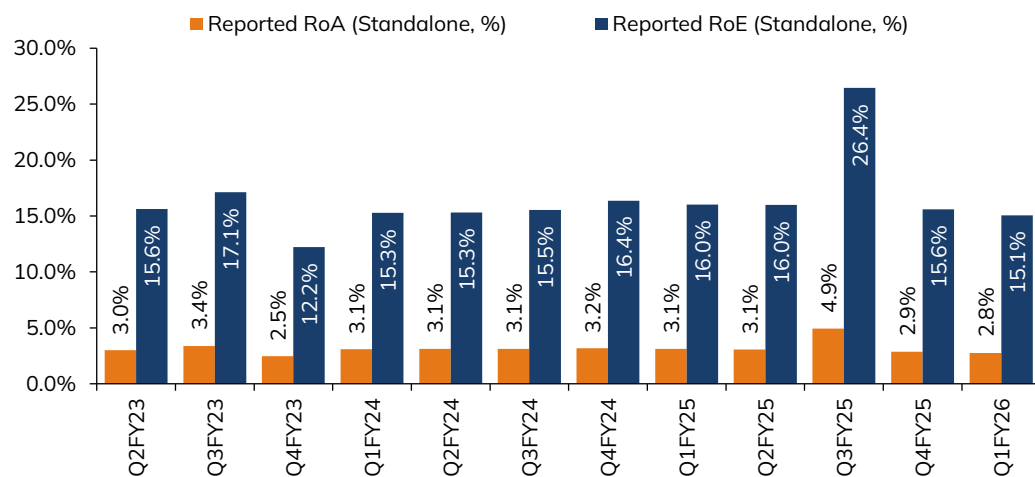
Source: Company data, I-Sec research

**Exhibit 8: GNPA/NNPA in similar range vs Q4**



Source: Company data, I-Sec research



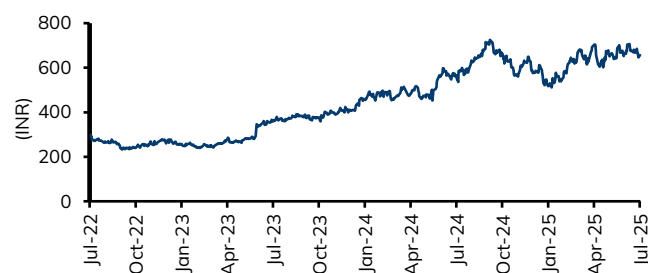
**Exhibit 9: RoE hovering around 15% and RoE around 3%**

Source: Company data, I-Sec research

**Exhibit 10: Shareholding pattern**

%	Dec'24	Mar'25	Jun'25
Promoters	25.4	25.4	25.4
Institutional investors	68.9	68.5	68.9
MFs and others	10.5	10.0	10.5
FIs/Banks	1.5	1.7	1.8
Insurance	3.5	3.2	3.5
FIIIs	53.4	53.6	53.1
Others	5.7	6.1	5.7

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	336,011	403,093	481,107	554,486
Net gain on fair value changes	-	-	-	-
Interest Expenses	(148,026)	(184,546)	(220,598)	(254,650)
<b>Net Interest Income (NII)</b>	<b>187,985</b>	<b>218,548</b>	<b>260,509</b>	<b>299,836</b>
Other Income	-	-	-	-
<b>Total Income (net of interest expenses)</b>	<b>201,949</b>	<b>234,049</b>	<b>277,841</b>	<b>319,931</b>
Employee benefit expenses	(32,156)	(36,512)	(42,433)	(49,651)
Depreciation and amortization	(5,688)	(6,453)	(6,972)	(8,084)
Fee and commission expenses	-	-	-	-
Other operating expenses	(22,086)	(28,475)	(33,670)	(39,713)
<b>Total Operating Expense</b>	<b>(59,930)</b>	<b>(71,440)</b>	<b>(83,075)</b>	<b>(97,447)</b>
<b>Pre Provisioning Profits (PPoP)</b>	<b>142,019</b>	<b>162,609</b>	<b>194,766</b>	<b>222,484</b>
Provisions and write offs	(45,183)	(53,117)	(67,884)	(73,382)
<b>Profit before tax (PBT)</b>	<b>96,835</b>	<b>109,493</b>	<b>126,882</b>	<b>149,101</b>
Total tax expenses	(15,863)	(20,992)	(31,721)	(37,275)
<b>Profit after tax (PAT)</b>	<b>80,973</b>	<b>88,501</b>	<b>95,162</b>	<b>111,826</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	481,926	559,045	640,317	735,799
<b>Shareholders' funds</b>	<b>485,684</b>	<b>562,806</b>	<b>644,078</b>	<b>739,559</b>
Borrowings	1,858,411	2,341,973	2,749,912	3,127,624
Provisions & Other Liabilities	28,543	30,551	35,134	40,404
Deferred tax liabilities (net)	-	-	-	-
Current Liabilities and short-term provisions	-	-	-	-
<b>Total Liabilities and Stakeholder's Equity</b>	<b>2,372,638</b>	<b>2,935,329</b>	<b>3,429,123</b>	<b>3,907,587</b>
Cash and balance with RBI	76,112	213,657	294,840	289,528
Fixed assets	8,458	10,257	11,795	13,565
<b>Loans</b>	<b>2,186,956</b>	<b>2,313,411</b>	<b>2,840,179</b>	<b>3,287,520</b>
Investments	53,283	155,987	155,901	159,019
Deferred tax assets (net)	28,840	36,949	42,491	48,865
Current Assets including cash and bank	-	-	-	-
Other Assets	18,989	205,068	83,917	109,092
<b>Total Assets</b>	<b>2,372,638</b>	<b>2,935,329</b>	<b>3,429,123</b>	<b>3,907,587</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	2,248,620	2,631,903	3,055,457	3,538,322
On-book Loans	2,216,677	2,599,159	3,024,903	3,502,939
Off-book Loans	31,943	32,744	30,555	35,383
Disbursements	1,357,594	1,550,653	1,774,032	2,032,918
Sanctions	-	-	-	-
Repayments	-	-	-	-
<b>Growth (%):</b>				
Total AUM (%)	21.1	17.0	16.1	15.8
Disbursements (%)	21.4	14.2	14.4	14.6
Sanctions (%)	-	-	-	-
Repayments (%)	-	-	-	-
Loan book (on balance sheet) (%)	20.9	17.3	16.4	15.8
Total Assets (%)	12.7	23.7	16.8	14.0
Net Interest Income (NII) (%)	17.8	16.3	19.2	15.1
Non-interest income (%)	7.2	11.0	11.8	15.9
Total Income (net of interest expenses) (%)	17.0	15.9	18.7	15.1
Operating Expenses (%)	22.8	19.2	16.3	17.3
Employee Cost (%)	22.0	13.5	16.2	17.0
Non-Employee Cost (%)	34.3	28.9	18.2	17.9
Pre provisioning operating profits (PPoP) (%)	14.7	14.5	19.8	14.2
Provisions (%)	8.4	17.6	27.8	8.1
PBT (%)	17.9	13.1	15.9	17.5
PAT (%)	34.7	9.3	7.5	17.5
EPS (%)	34.2	9.2	7.5	17.5
<b>Yields, interest costs and spreads (%)</b>				
NIM on loan assets (%)	9.5	9.7	10.1	9.8
NIM on IEA (%)	8.7	8.5	8.4	8.4
NIM on AUM (%)	9.2	9.0	9.2	9.1
Yield on loan assets (%)	16.9	17.9	18.7	18.1
Yield on IEA (%)	15.5	15.6	15.5	15.4
Yield on AUM (%)	16.4	16.5	16.9	16.8
Cost of borrowings (%)	8.5	8.8	8.7	8.7
Interest Spreads (%)	8.5	9.1	10.0	9.4
<b>Operating efficiencies</b>				
Non interest income as % of total income	53.7	52.2	52.3	52.2
Cost to income ratio	29.7	30.5	29.9	30.5
Op.costs/avg assets (%)	2.7	2.7	2.6	2.7
Op.costs/avg AUM (%)	2.9	2.9	2.9	3.0
No of employees (estimate) (x)	74,645	79,872	86,660	93,790
No of branches (x)	3,082	3,220	3,461	3,711
Salaries as % of non-interest costs (%)	53.7	51.1	51.1	51.0
NII /employee (INR mn)	2.5	2.7	3.0	3.2
AUM/employee(INR mn)	30.1	33.0	35.3	37.7
AUM/ branch (INR mn)	729.6	817.4	882.8	953.4
<b>Capital Structure</b>				
Average gearing ratio (x)	3.8	4.2	4.3	4.2
Leverage (x)	4.9	5.2	5.3	5.3
CAR (%)	21.6	23.8	23.8	24.0
Tier 1 CAR (%)	20.4	22.7	22.9	23.2
Tier 2 CAR (%)	1.2	1.1	0.9	0.8
RWA (estimate) - INR mn	2,088,029	2,388,081	2,814,646	3,268,600
RWA as a % of loan assets	95.5	103.2	99.1	99.4

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
<b>Asset quality and provisioning</b>				
GNPA (%)	5.5	4.6	5.0	5.1
NNPA (%)	2.6	2.6	2.8	2.8
GNPA (INR mn)	120,812	118,388	152,452	180,211
NNPA (INR mn)	58,244	67,145	83,848	99,116
Coverage ratio (%)	51.8	43.3	45.0	45.0
Credit Costs as a % of avg AUM (bps)	220	218	239	223
Credit Costs as a % of avg on book loans (bps)	223	221	241	225
<b>Return ratios</b>				
RoAA (%)	3.2	3.7	3.0	3.0
RoAE (%)	15.6	18.6	15.8	16.2
ROAAUM (%)	3.5	4.0	3.3	3.4
Dividend Payout ratio (%)	-	-	-	-
<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
ESOP Outstanding	-	-	-	-
EPS (INR)	43.1	47.1	50.6	59.5
EPS fully diluted (INR)	43.1	47.1	50.6	59.5
Price to Earnings (x)	14.3	13.1	12.2	10.4
Price to Earnings (fully diluted) (x)	14.3	13.1	12.2	10.4
Book Value (fully diluted)	258	299	343	393
Adjusted book value	235	273	309	354
Price to Book	2.4	2.1	1.8	1.6
Price to Adjusted Book	2.6	2.3	2.0	1.7
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

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)	2,239,183	2,653,984	3,182,226	3,668,355
Average Loans (INR mn)	1,986,904	2,250,184	2,576,795	3,063,850
Average Equity (INR mn)	461,840	524,245	603,442	691,818
Interest earned (%)	15.0	15.2	15.1	15.1
Net gain on fair value changes (%)	-	-	-	-
Interest expended (%)	6.6	7.0	6.9	6.9
<b>Gross Interest Spread (%)</b>	<b>8.4</b>	<b>8.2</b>	<b>8.2</b>	<b>8.2</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>6.1</b>	<b>6.2</b>
Operating cost (%)	2.7	2.7	2.6	2.7
<b>Lending spread (%)</b>	<b>3.7</b>	<b>3.5</b>	<b>3.4</b>	<b>3.5</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>4.0</b>	<b>4.1</b>
Tax rate (%)	16.4	19.2	25.0	25.0
<b>ROAA (%)</b>	<b>3.2</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>
Effective leverage (AA/ AE)	4.8	5.1	5.3	5.3
<b>RoAE (%)</b>	<b>15.6</b>	<b>18.6</b>	<b>15.8</b>	<b>16.2</b>

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: [headsservicequality@icicidirect.com](mailto:headsservicequality@icicidirect.com) Contact Number: 18601231122

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