

Shriram Finance

Positives priced-in, all eyes on credit costs

Strong growth, steady margins drive profits

Shriram Finance's (SHFL IN) healthy Q3 earnings stood in-line led by: a) steady margins (mere 4bps increase QoQ) at 9.78%, on shift in product mix to high-yielding assets (2W/gold/MSME/PL share up to 24% of book, with 20%+ yields) and calculated CoF declining ~20bps QoQ and b) robust business traction (disbursement up 9% QoQ/29%YoY) offsetting provisions spike of 11% QoQ. Post robust growth performance, medium-to-longer term outlook should that be of steadying performance, characterized by: (a) 15-16% annual growth, led by non-CV business segments, (b) NIM settling at 8.6%, (c) favorable credit cost (2.0% versus 2.4% in Q3FY24), RoE at 16%. We monitor each business contour in the ever-changing sectoral terrain.

Best of growth trajectory peaking out

SHFL's sturdy 21% YoY growth was the best part of Q3 performance. While passenger vehicle (PV) financing growth (5% QoQ) was robust, led by tier II/III demand, new CV financing growth trumped traditional used CV financing, attributed to price inflation and upgradation of used vehicle customers. SHFL continues to maintain market share in used CV financing. High-yielding businesses, viz, two-wheeler (17% QoQ), personal loans (up 8% QoQ), gold loans (9% QoQ), and MSME (8% QoQ) drove overall traction. While medium-term visibility is well-fortified with upbeat performance in 9MFY24, FY25-26 growth guidance is resumed to 15-16% annual growth. Moreover, given volatility in elections period and trade-offs between credit costs and growth, the underlying momentum should remain in check.

Absolute NPAs spike; credit costs spike but may steady

Q3 GNPA was historically at its lowest at 5.66%, down 13bps QoQ/63bps YoY on a high growth base. Q3 saw sequential spike in absolute stage 3 and 2 assets each by 3%. Credit costs spiked to 2.4% versus 2.3% in Q2 albeit management guidance was at 2% ahead. Notable observations in Q3 are write-offs declining 16% QoQ to INR 7.3bn, farm equipment, commercial vehicle (CV) and personal loans (PL) reporting 9%/6%/6% NPAs. The management is not wary of PLs as these are to existing 2W and CV customers for business consumption.

Re-rating behind, upside capped; revise to Accumulate

SHFL's valuation re-rating led by better growth and asset quality is behind. While SHFL does not expect volatility around elections, its growth trajectory has peaked out and credit costs at 2% are at risk with mix tilting to 2W/MSME/PL/passenger vehicle (as there will be trade-offs between write-offs and reported NPAs). Margins should moderate a bit with limited ability to transmit high costs ahead, propping growth. So, RoEs should settle at best to slightly over 16% and RoAs at 3-3.1% in FY24-26E. Upside potential is capped to 16% – Revise to **Accumulate** from Buy as we value SHFL at 1.7x FY25E P/ABV arriving at raised TP of INR 2,540 (earlier INR 2,152).

Rating: Accumulate

Target Price: INR 2,540

Upside: 10%

CMP: INR 2,307 (as on 25 January 2024)

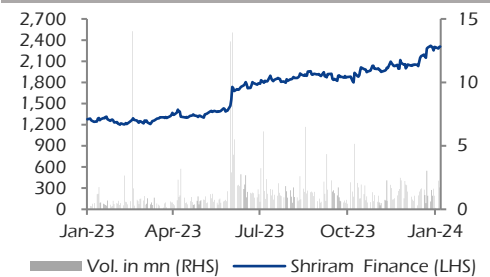
Key data

Bloomberg /Reuters Code	SHFL IN/SRTR.BO
Current /Dil Shares O/S (mn)	374/266
Mkt Cap (INR bn/USD mn)	867/10,428
Daily Volume (3M NSE Avg)	1,184,764
Face Value (INR)	10

1 USD = INR 83.1

Note: *as on 25 January 2024; Source: Bloomberg

Price & Volume



Shareholding (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Promoter	25.5	25.5	25.5	25.4
Institutional Investor	61.5	70.0	69.9	69.8
Other Investor	9.2	1.0	1.1	1.0
General Public	3.7	3.5	3.6	3.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	11.7	8.5	19.3
Shriram Finance	27.0	26.5	84.0
Cholamandalam Investment	8.5	10.4	73.3
M&M Financial Services	(1.3)	(14.4)	17.6

Source: Bloomberg

YE March (INR mn)	Q3FY24	Q2FY24	Q3FY23	YoY (%)	QoQ (%)
Nil	50,939	48,182	44,279	15.0	5.7
Operating profit	36,893	34,808	33,016	11.7	6.0
PAT	18,183	17,508	17,770	2.3	3.9

Key Financials

YE	Nil (INR mn)	YoY (%)	PPOP (INR mn)	YoY (%)	PAT after minority interest (INR mn)	YoY (%)	EPS (INR)	Core ROE (%)	ROA (%)	P/E (x)	P/ABV (x)
March	169,630	82.1	123,440	66.6	59,792	120.8	185.4	17.3	3.5	12.4	2.0
FY23	195,327	15.1	139,011	12.6	73,663	23.2	196.7	16.0	3.3	11.7	1.8
FY24E	227,699	16.6	161,723	16.3	84,654	14.9	226.1	16.2	3.2	10.2	1.5
FY26E	258,197	13.4	182,250	12.7	96,132	13.6	256.7	16.0	3.1	9.0	1.3

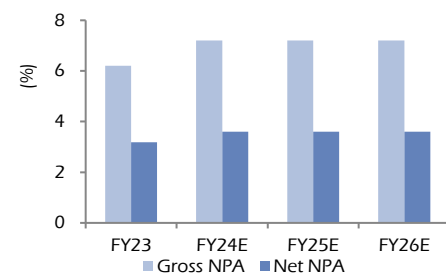
Note: Pricing as on 25 January 2024; Source: Company, Elara Securities Estimate

Financials (YE March)

Income statement (INR mn)	FY23	FY24E	FY25E	FY26E
NII	169,630	195,327	227,699	258,197
Other income	1,555	500	500	500
Gross Income	171,185	195,827	228,199	258,697
Operating expenses	47,745	56,817	66,475	76,447
PPOP	123,440	139,011	161,723	182,250
Provisions	41,592	40,571	48,594	53,783
PBT	81,848	98,440	113,129	128,467
Tax	22,056	24,777	28,475	32,335
PAT	59,792	73,663	84,654	96,132
Balance Sheet (INR mn)	FY23	FY24E	FY25E	FY26E
Capital	3,744	3,744	3,744	3,744
Reserves and Surplus	429,322	480,750	565,405	661,536
Net worth	433,066	484,495	569,149	665,281
Borrowings	1,579,063	1,863,294	2,198,687	2,594,451
Other liabilities	24,511	51,555	59,825	67,353
Total Liabilities	2,036,640	2,399,344	2,827,661	3,327,084
Fixed assets	-	8,509	9,782	11,246
Loans	1,719,846	1,986,422	2,304,250	2,672,930
Investments	85,651	132,740	158,106	188,545
Cash and bank balances	158,174	202,190	265,221	356,719
Other assets	72,969	69,483	90,302	97,645
Total Assets	2,036,640	2,399,344	2,827,661	3,327,085
Per Share data & Valuation Ratios	FY23	FY24E	FY25E	FY26E
EPS- (INR)	185.4	196.7	226.1	256.7
BV (INR)	1,156.6	1,306.3	1,493.0	1,709.1
ABV- (INR)	1,156.6	1,306.3	1,493.0	1,709.1
P/E- (x)	12.4	11.7	10.2	9.0
P/ABV-(x)	2.0	1.8	1.5	1.3
Yield and Cost (%)				
Yield on advances	17.2	17.4	17.4	17.5
Interest Income/ Avg. assets	15.4	16.2	16.6	16.7
Interest Expense/ Avg. assets	7.3	7.2	7.2	7.3
Net Interest Margin (%)	9.8	8.8	8.7	8.4
Asset Quality (%)				
Gross NPA	6.2	7.2	7.2	7.2
Net NPA	3.2	3.6	3.6	3.6
% coverage of NPA	50.1	50.0	50.0	50.0
Capital Adequacy				
Tier 1	30.5	28.6	27.1	25.7
CAR	33.4	31.7	30.6	29.6
Growth Rates				
Loan growth	47	16	16	16
Earnings growth	121	23	15	14
Business Ratios				
RoAA (%)	3.5	3.3	3.2	3.1
Core RoE (%)	17.3	16.0	16.2	16.0
Dividend Yield (%)	0.4	0.4	0.4	0.4
Leverage (x)	5.0	4.8	5.0	5.1

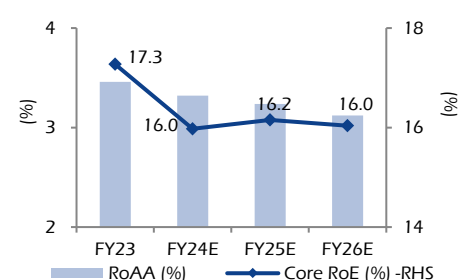
Note: Pricing as on 25 January 2024; Source: Company, Elara Securities Estimate

Gross & net NPA



Source: Company, Elara Securities Estimate

RoAA and Core RoE



Source: Company, Elara Securities Estimate

Exhibit 1: SHFL – Q3FY24 results highlights

Profit and loss statement (INR mn)	Q3FY24	Q3FY23	YoY chg (%/bps)	Q2FY24	QoQ chg (%/bps)	Comments
Interest income	88,439	75,699	16.8	84,805	4.3	Interest income rose sequentially, led by increasing share in higher yielding products
Interest expenses	37,499	31,420	19.3	36,623	2.4	
Net interest income	50,939	44,279	15.0	48,182	5.7	NII came in line with our estimates of INR 49,880mn, led by equally strong annual growth in AUMs
Operating & other income	823	408	101.7	825	(0.3)	
Net revenue	51,762	44,687	15.8	49,007	5.6	
Operating expenses	14,869	11,671	27.4	14,199	4.7	Opex came in-line with our estimate of INR 14,909
Staff Cost	8,099	6,391	26.7	7,904	2.5	Employees cost was flat sequentially despite increase in employee count
Operating profit	36,893	33,016	11.7	34,808	6.0	PPOP was above our estimate of INR 35,879mn, led by higher NII
Provisions	12,497	9,172	36.3	11,286	10.7	Provision rose sequentially, largely led by higher write offs
Profit before tax	24,396	23,844	2.3	23,523	3.7	
Tax	6,213	6,074	2.3	6,014	3.3	
Profit after tax	18,183	17,770	2.3	17,508	3.9	PAT stood in line with our estimates of INR 18,235mn, largely led by healthy top-line and controlled opex
Business details						
Total AUM	2,142,335	1,774,980	20.7	2,026,410	5.7	AUM stood largely in line with our estimates of INR 2,118bn, led by higher growth in gold and two-wheeler business segments
Cost to Income (%)	28.7	26.1	261 bps	29.0	(25)bps	Cost-to-income ratio declined sequentially, led by stable opex
Asset quality						
Gross NPA (mn)	119,523	110,586	8 bps	115,563	3 bps	
Net NPA (mn)	55,730	51,506	8 bps	54,202	3 bps	

Source: Company, Elara Securities Research

Q3FY24 earnings call – Key takeaways

Industry/business highlights and guidance

- SHFL is offering multiple products across business lines.
- e-commerce and last mile delivery are growing faster.
- Disbursement stood at INR 378bn and AUM grew 20.70% YoY/5.7% QoQ.
- SHFL has declared an interim dividend of 100%.

Growth trajectory

- SHFL maintained its CV growth guidance of 12-15%.
- SHFL is increasing focus on high-yield, high-margin products i.e., gold loan, two-wheelers, passenger vehicle, which are key growth drivers ahead.
- Expect SHFL to grow at 20% in FY24 and beyond that 15%.
- Election may not have big impact as CV demand depends on infra and economic activities and that have been good. CV segment started just two years back and used CV demand comes with a lag so growth of 12-15% can be maintained.

Spread analysis

- SHFL maintained its borrowings diversity, wherein securitization contributed 14% and ECB 13% and bank 28%.
- SHFL has four months liability repayments in place, in the form of liquidity.
- The cost of funds rose slightly to 8.95% from 8.7% in Q2.
- SHFL may hold margin at 8.9% going forward, with changing mix. Interest expense may not rise further. Both the mix and ability to pass on increased costs may aid NIMs.
- Incremental cost of fund stood at 8.95%, up 25bps QoQ. Retail deposits rates increased, with fully hedged costs at 9.5-10%. Calculated CoF declined 20bps QoQ, as largely driven by liquidity.

Asset quality

- The credit costs stood at 2.15%. Expect credit cost at 2% for FY24, with write off at INR 7.3bn and provisioning INR 5.3bn (write-off of INR 8.4bn and provisioning of INR 2.9bn in Q2FY24). There is some marginal reduction in stage 3 assets, two-wheeler credit cost is lower than personal loan and credit costs can be restricted to 2%.
- Probability of default (PD): Stage 1 stood at 7.89%, Stage 2 18.25% (18.51% in Q2FY24) and LGD at 41.45% (41.39% in Q2FY24).
- Stage 1 PD was stable QoQ, stage 2 PD saw marginal increase and LGD saw only 6bps rise QoQ.

- Personal loan LGD (loss given default) coverage based ECL norms based on its historical track record, currently its stable and extended to existing customers as two-wheeler loans
- Two-wheeler business is 20+ years old and will be able to hold GNPA's ahead.
- Provision of INR 525crs hit incremental, mainly on Stage 1 assets due to increase in Stage 1 assets.
- Each business team is operating to review credit quality risks closely.
- Slippage trends are inching up.

Shriram Housing

- AUM grew by 67.53% YoY/11.1% QoQ to INR 120bn.
- Shriram Housing is focused on eight states and may add another state.
- Currently, Shriram Housing has 114 offices and is venturing deeper into geographies. It identified 8-9 states which contribute 70-80% to business.
- Tamil Nadu, Madhya Pradesh, Karnataka, Andhra Pradesh, Telangana, Maharashtra and Gujarat are also growing, on a small base.
- Housing business may grow at 30%.
- Shriram Housing has a partnership with a PSU and private bank under co-lending in housing business, which contributes 28% to total AUM (growth capital is being sought).

Other highlights

- New growth in the two-wheeler business is from Odisha, West Bengal, North East, Uttar Pradesh, Madhya Pradesh, wherein SCUF did not have good network. QoQ growth also was a function of festive season demand.
- Incremental SCUF customer profile under personal book is mostly from two-wheeler and they have completed one cycle.
- The company has an eligible customer database of 3mn.
- Under used passenger segment, the company does not have large buses segment. It does not lend much to tourist buses,
- Expect capital infusion in Shriram Housing.
- The total employee count is 73,485.

Exhibit 2: Rising AUM growth with steady increase in on-book share

AUM composition (INR mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
On book	1,588,026	1,615,704	1,677,709	1,758,412	1,833,384	1,907,219	1,995,947	2,110,562
Balance	1,373,945	1,409,853	1,482,206	1,567,663	1,620,893	1,677,638	1,760,068	1,876,421
Securitized	214,082	205,851	195,503	190,750	212,491	229,581	235,879	234,141
Off book	14,240	13,997	15,882	16,568	23,444	24,928	30,463	31,773
Total AUM	1,602,266	1,629,700	1,693,591	1,774,980	1,856,829	1,932,147	2,026,410	2,142,335
AUM composition (%)								
On book	99.1	99.1	99.1	99.1	98.7	98.7	98.5	98.5
Balance	85.8	86.5	87.5	88.3	87.3	86.8	86.9	87.6
Securitized	13.4	12.6	11.5	10.7	11.4	11.9	11.6	10.9
Off book	0.9	0.9	0.9	0.9	1.3	1.3	1.5	1.5

Source: Company, Elara Securities Research

Exhibit 3: AUM growth with rising mix for two-wheelers and passenger vehicles

Product-wise AUM composition	Q1FY23		Q2FY23		Q3FY23		Q4FY23		Q1FY24		Q2FY24		Q3FY24	
	Amt (INR bn)	% mix	Amt (INR bn)	% mix	Amt (INR bn)	% mix	Amt (INR bn)	% mix	Amt (INR bn)	% mix	Amt (INR bn)	% Mix	Amt (INR bn)	% mix
Commercial vehicles	850.9	52.2	876.8	51.8	906.2	51.1	932.9	50.2	959.0	49.6	984.4	48.6	1024.7	47.8
Passenger vehicles	283.2	17.4	300.6	17.8	318.1	17.9	338.7	18.2	362.9	18.8	396.9	19.6	415.3	19.4
Construction equipment	131.7	8.1	133.9	7.9	138.7	7.8	143.6	7.7	146.3	7.6	150.6	7.4	162.2	7.6
Farm equipment	32.3	2.0	33.0	1.9	33.3	1.9	34.8	1.9	34.2	1.8	34.8	1.7	33.6	1.6
MSME	161.9	9.9	169.1	10.0	176.6	9.9	191.0	10.3	200.4	10.4	213.1	10.5	230.9	10.8
Two wheelers	83.2	5.1	84.5	5.0	99.6	5.6	103.7	5.6	100.2	5.2	104.2	5.1	121.4	5.7
Gold loans	42.0	2.6	44.3	2.6	44.4	2.5	44.8	2.4	48.8	2.5	54.1	2.7	58.9	2.7
Personal loans	43.5	2.7	50.8	3.0	57.7	3.2	66.8	3.6	79.2	4.1	88.4	4.4	95.4	4.5
Others	0.9	0.1	0.7	0.0	0.5	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total AUM	1629.7	100.0	1693.6	100.0	1775.0	100.0	1856.8	100.0	1931.1	99.9	2026.4	100.0	2142.3	100.0

Source: Company, Elara Securities Research

Exhibit 4: Two wheelers and gold loan AUM up 17%/9% sequentially

Product-wise AUM mix	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Commercial vehicles	828.2	850.9	876.8	906.2	932.9	959.0	984.4	1,024.7
Growth QoQ %	2.3	2.7	3.0	3.4	3.0	2.8	2.6	4.1
Passenger vehicles	269.5	283.2	300.6	318.1	338.7	362.9	396.9	415.3
Growth QoQ %	2.4	5.1	6.1	5.8	6.5	7.1	9.4	4.6
Construction equipment	129.7	131.7	133.9	138.7	143.6	146.3	150.6	162.2
Growth QoQ %	1.6	1.5	1.7	3.6	3.6	1.8	3.0	7.7
Farm equipment	33.0	32.3	33.0	33.3	34.8	34.2	34.8	33.6
Growth QoQ %	2.2	(2.1)	2.2	0.9	4.5	(1.7)	1.8	(3.5)
MSME	157.6	161.9	169.1	176.6	191.0	200.4	213.1	230.9
Growth QoQ %	(7.2)	2.7	4.4	4.4	8.2	4.9	6.3	8.3
Two wheelers	80.4	83.2	84.5	99.6	103.7	100.2	104.2	121.4
Growth QoQ %	(8.5)	3.5	1.6	17.9	4.1	(3.3)	3.9	16.5
Gold loans	41.1	42.0	44.3	44.4	44.8	48.8	54.1	58.9
Growth QoQ %	-	2.2	5.5	0.2	0.9	9.1	10.7	9.0
Personal loans	36.6	43.5	50.8	57.7	66.8	79.2	88.4	95.4
Growth QoQ %	3.4	18.9	16.8	13.6	15.7	18.6	11.6	7.9
Others	1.0	0.9	0.7	0.5	0.5	-	-	-
Growth QoQ %	(37.5)	(10.0)	(22.2)	(28.6)	(0.5)	(100.0)	-	-
Total AUM	1,577	1,630	1,694	1,775	1,857	1,931	2,026	2,142
Growth QoQ %	0.5	3.3	3.9	4.8	4.6	4.0	4.9	5.7

Source: Company, Elara Securities Research

Exhibit 5: Asset quality improved sequentially sharply

Asset quality (INR mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Gross stage 3	88,875.5	101,315.5	105,830.5	110,586.1	113,821.8	115,088.8	115,563.2	119,522.6
ECL provision- stage 3	44,415.0	49,255.5	51,922.6	56,080.6	57,073.2	60,475.4	61,361.5	63,792.6
Net stage 3	44,460.5	52,060.0	53,907.9	54,505.5	56,748.6	54,613.4	54,201.7	55,730.0
Gross stage 3 (%)	7.07	6.27	6.31	6.29	6.21	6.03	5.79	5.66
Net stage 3 (%)	3.67	3.32	3.32	3.20	3.10	2.86	2.72	2.64
Coverage ratio (%) stage 3	50.0	48.6	49.1	50.7	50.1	52.5	53.1	53.4
Gross stage 1	1,034,929.8	1,340,246.9	1,401,881.5	1,484,830.8	1,556,198.9	1,642,486.0	1,737,133.4	1,843,115.8
ECL provision- stage 1	33,813.4	34,490.9	37,792.9	41,119.6	45,412.8	47,817.1	53,115.0	57,363.9
Net stage 1	1,001,116.4	1,305,756.0	1,364,088.6	1,443,711.2	1,510,786.1	1,594,668.9	1,684,018.4	1,785,751.9
Gross stage 1 (%)	82.33	82.95	83.56	84.44	84.88	86.12	87.03	87.33
ECL provision (%) Stage 1	3.27	2.57	2.70	2.77	2.92	2.91	3.06	3.11
Gross stage 2	133,185.0	174,141.4	169,987.9	163,005.4	163,362.9	149,643.8	143,250.3	147,923.3
ECL provision- stage 2	12,110.4	12,946.7	11,740.7	10,779.1	11,052.9	10,464.9	9,743.0	10,449.8
Net stage 2	121,074.6	161,194.6	158,247.3	152,226.3	152,310.0	139,178.9	133,507.3	137,473.5
Gross stage 2 (%)	10.60	10.78	10.13	9.27	8.91	7.85	7.18	7.01
ECL provision (%) stage 2	9.09	7.43	6.91	6.61	6.77	6.99	6.80	7.06

Source: Company, Elara Securities Research

Exhibit 6: Deeping presence in rural region

Geographic composition	Branches				AUM			
	Q3FY23		Q3FY24		Q3FY23		Q3FY24	
	Number	% mix	Number	% mix	INR bn	% mix	INR bn	% mix
Urban	401	13.8	401	13.2	919	51.8	1,066	49.8
Semi urban	998	34.4	1,038	34.2	245	13.8	315	14.7
Rural	1,502	51.8	1,598	52.6	611	34.4	762	35.6
Total	2,901		3,037		1,775		2,142	

Source: Company, Elara Securities Research

Exhibit 7: Increased reach in rural areas for last-mile connectivity across GUs

Geographical units (GU) branches	Urban	Semi-urban	Rural	Total
GU1				
Puducherry	0	7	7	14
Tamil Nadu	73	200	428	701
GU1 total	73	207	435	715
GU2				
Andra Pradesh	30	115	153	298
Odisha	0	23	29	52
Telangana	46	56	101	203
GU2 Total	76	194	283	553
GU3				
Bihar	16	40	38	94
Goa	0	0	3	3
Jharkhand	13	21	12	46
Maharashtra	51	77	146	274
Uttar Pradesh	33	91	54	178
Uttarakhand	0	10	9	19
GU3 total	113	239	262	614
GU4				
Dadra and Nagar Haveli	0	0	1	1
Delhi	16	2	0	18
Gujarat	22	53	39	114
Haryana	3	41	20	64

Geographical units (GU) branches	Urban	Semi-urban	Rural	Total
Himachal Pradesh	0	4	32	36
Jammu and Kashmir	1	3	11	15
Madhya Pradesh	21	61	107	189
New Delhi	0	0	0	0
Punjab	8	35	24	67
Chandigarh	3	0	0	3
Rajasthan	14	53	66	133
GU4 total	88	252	300	640
GU5				
Assam	0	12	18	30
Chandigarh	0	0	0	0
Chhattisgarh	5	18	50	73
Karnataka	24	64	132	220
Kerala	5	22	88	115
Manipur	0	1	0	1
Meghalaya	0	1	0	1
Sikkim	0	1	2	3
Tripura	0	2	2	4
West Bengal	17	25	26	68
GU 5 Total	51	146	318	515
Grand Total	401	1,038	1,598	3,037

Source: Company, Elara Securities Research

Exhibit 8: Key operating metrics – Elevated cost income ratio QoQ impact and CAR declined sequentially

Operating metrics	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
NIM (on AUM) (%)	6.62	8.12	8.26	8.52	8.55	8.32	8.93	8.99
Cost to income ratio (%)	19.89	23.23	24.50	22.29	28.29	27.29	25.68	28.73
ROA (%)	1.88	2.70	3.00	3.39	2.47	3.08	3.14	3.11
ROE (%)	11.14	14.49	15.62	17.12	12.21	15.19	15.40	15.54
Tier 1 (%)	20.70	21.45	21.51	21.38	21.20	21.27	21.05	20.01
Tier 2 (%)	2.27	1.68	1.69	1.60	1.41	1.13	1.10	1.00
Total CRAR (%)	22.97	23.13	23.20	22.99	22.61	22.40	22.15	21.01
Net worth (INR mn)	259,046	390,347	405,489	423,157	432,021	448,216	459,301	469,499

Source: Company, Elara Securities Research

Exhibit 9: Increase in public deposits and term loans versus sharp decline in external commercial bonds

Borrowing mix	Q2FY23		Q3FY23		Q4FY23		Q1FY24		Q3FY24	
	Amt (INR bn)	% Mix	Amt (INR bn)	% Mix	Amt (INR bn)	% Mix	Amt (INR bn)	% Mix	Amt (INR bn)	% mix
Non-Convertible Debentures	335.6	21.2	325.9	21.3	302.5	19.2	287.2	17.7	309.5	17.4
Public deposit	325.4	20.6	344.9	22.5	361.4	22.9	386.5	23.9	431.2	24.3
Securitization	198.5	12.5	202.7	13.2	221.1	14.0	241.8	14.9	249.5	14.1
Subordinated debts	45.8	2.9	46.4	3.0	45.2	2.9	44.2	2.7	43.4	2.4
Term loan	415.9	26.3	410.6	26.8	412.0	26.1	393.7	24.3	460.9	26.0
External commercial bond	192.6	12.2	123.5	8.1	134.1	8.5	126.4	7.8	108.5	6.1
ECB loans	63.7	4.0	71.4	4.7	98.3	6.2	112.5	6.9	120.1	6.8
Other borrowings	4.7	0.3	7.9	0.5	4.6	0.3	16.4	1.0	26.9	1.5
Commercial papers							10.6	0.7	24.6	1.4
Total	1,582.2		1,533.3		1,579.1		1,619.5		1,774.6	

Source: Company, Elara Securities Research

Exhibit 10: Shriram Housing Finance sees steady AUM growth

SHFL- AUM composition (INR mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
On book	45,745	49,548	56,017	60,383	67,336	79,929	89,708	96,736
Balance	45,168	47,650	54,237	57,518	63,636	73,902	82,761	87,823
Securitized	578	1,898	1,780	2,865	3,700	6,027	6,947	8,913
Off book	7,805	8,478	9,443	11,399	13,130	15,463	18,452	23,515
Total AUM	53,550	58,026	65,459	71,782	80,466	95,392	108,160	120,251
SHFL- AUM composition (% mix)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
On book	2.86	3.04	3.31	3.40	3.63	4.14	4.43	4.52
Balance	2.82	2.92	3.20	3.24	3.43	3.82	4.08	4.10
Securitized	0.04	0.12	0.11	0.16	0.20	0.31	0.34	0.42
Off book	0.49	0.52	0.56	0.64	0.71	0.80	0.91	1.10

Source: Company, Elara Securities Research

Exhibit 11: Change in estimates

(INR mn)	Old			Revised			Chg (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY24E	FY25E
Net interest income	192,441	222,390	256,090	195,327	227,699	258,197	1.5	2.4	0.8
Operating profit	133,259	152,466	173,490	139,011	161,723	182,250	4.3	6.1	5.0
Net profit	69,359	80,734	92,125	73,663	84,654	96,132	6.2	4.9	4.3
EPS (INR)	185.2	215.6	246.0	196.7	226.1	256.7	6.2	4.9	4.4
TP (INR)	2,152			2,540			18		
Rating	Buy			Accumulate					

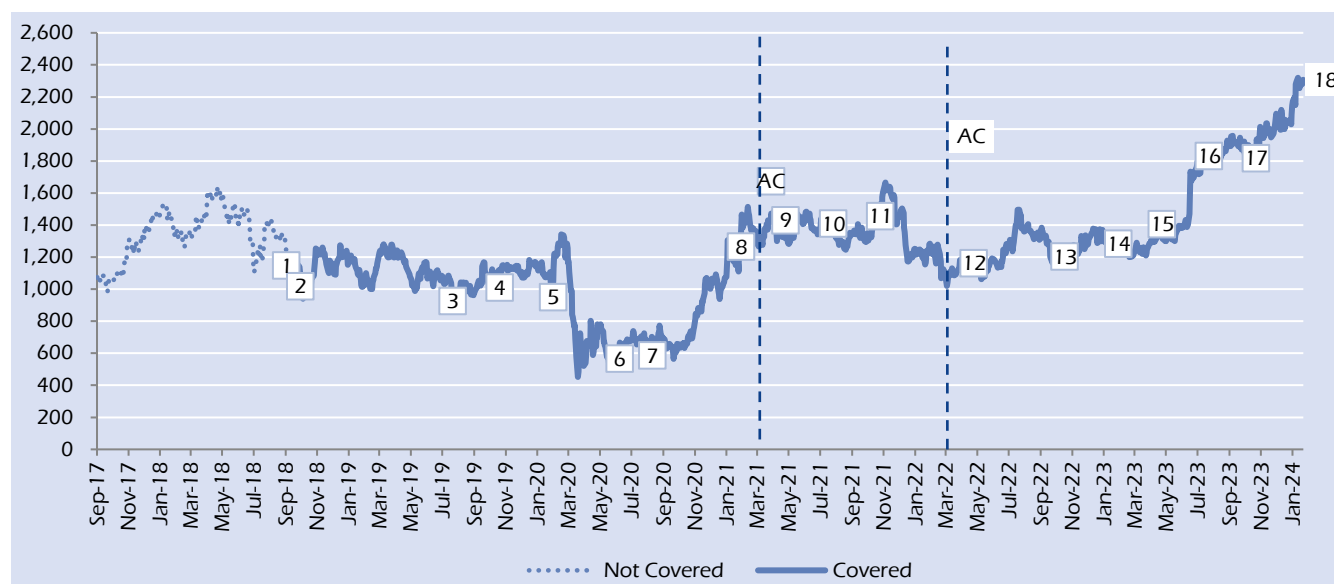
Source: Elara Securities Estimate

Exhibit 12: Recommend Accumulate, TP INR 2,540 @ 1.7x FY25E PABV

	(INR)
Fair price – EVA (Enterprise value method)	952
Fair price - P/ABVS (2-stage Gordon growth model)	4,127
Average of the two	2,540
Target P/ABV (x)	1.7
Target P/E (x)	11.2
CMP	2,307
Upside (%)	10
Dividend yield (%)	0
Total return (%)	10

Note: Pricing as on 25 January 2024; Source: Elara Securities Estimate

Coverage History



AC= Analyst change

Date	Rating	Target Price	Closing Price
8 5-Feb-2021	Accumulate	INR 1,470	INR 1,385
9 29-Apr-2021	Accumulate	INR 1,550	INR 1,416
10 30-July-2021	Accumulate	INR 1,480	INR 1,390
11 29-Oct-2021	Accumulate	INR 1,610	INR 1,438
12 29-Apr-2022	Buy	INR 1,478	INR 1,202
13 21-Oct-2022	Accumulate	INR 1,438	INR 1,198
14 2-Feb-2023	Accumulate	INR 1,391	INR 1,264
15 27-Apr-2023	Accumulate	INR 1,487	INR 1,406
16 27-July-2023	Accumulate	INR 1,903	INR 1,812
17 26-Oct-2023	Buy	INR 2,152	INR 1,798
18 25-Jan-2024	Accumulate	INR 2,540	INR 1,307

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited. It is important to note that any dispute with respect to this research report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued advise letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website www.elaracapital.com

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

Disclaimer & Standard warning

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Disclosures for U.S. Investors

The research analyst did not receive compensation from Shriram Finance Limited.

Elara Capital Inc.'s affiliate did not manage an offering for Shriram Finance Limited.

Elara Capital Inc.'s affiliate did not receive compensation from Shriram Finance Limited in the last 12 months.

Elara Capital Inc.'s affiliate does not expect to receive compensation from Shriram Finance Limited in the next 3 months.

Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

India Elara Securities (India) Pvt. Ltd. One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500	Europe Elara Capital Plc. 6th Floor, The Grove, 248A Marylebone Road, London, NW1 6JZ, United Kingdom Tel : +44 20 7486 9733	USA Elara Securities Inc. 230 Park Avenue, Suite 2415, New York, NY 10169, USA Tel: +1 212 430 5870 Fax: +1 212 208 2501	Asia / Pacific Elara Capital (Asia) Pte.Ltd. One Marina Boulevard, Level 20, Singapore 018989 Tel : +65 6978 4047
--	---	---	--

Harendra Kumar	Managing Director		harendra.kumar@elaracapital.com	+91 22 6164 8571
Sales				
Ashok Agarwal	India		ashok.agarwal@elaracapital.com	+91 22 6164 8558
Hitesh Danak	India		hitesh.danak@elaracapital.com	+91 22 6164 8543
Karan Rathod	India		karan.rathod@elaracapital.com	+91 22 6164 8570
Lekha Nahar	India		lekha.nahar@elaracapital.com	+91 22 6164 8512
Prashin Lalvani	India		prashin.lalvani@elaracapital.com	+91 22 6164 8544
Shraddha Shrikhande	India		shraddha.shrikhande@elaracapital.com	+91 22 6164 8567
Sudhanshu Rajpal	India		sudhanshu.rajpal@elaracapital.com	+91 22 6164 8508
Joshua Saldanha	Asia		joshua.saldanha@elaracapital.com	+91 22 6164 8541
Anita Nazareth	Corporate Access, Conference & Events		anita.nazareth@elaracapital.com	+91 22 6164 8520
Tina D'souza	Corporate Access		tina.dsouza@elaracapital.com	+91 22 6164 8595
Quantitative, Alternatives, Sales Trading & Dealing				
Sunil Jain	Quantitative & Alternates		sunil.jain@elaracapital.com	+91 22 6164 8531
Nandish Patel	Quantitative & Alternates		nandish.patel@elaracapital.com	+91 22 6164 8564
Biren Mehta	Head - Sales Trading		biren.mehta@elaracapital.com	+91 22 6164 8500
Kalpesh Parekh	India		kalpesh.parekh@ElaraCapital.com	+91 22 6164 8555
Manoj Murarka	India		manoj.murarka@elaracapital.com	+91 22 6164 8551
Anil Pawar	India		anil.pawar@elaracapital.com	+91 22 6164 8552
Nilesh Chheda	India		nilesh.chheda@elaracapital.com	+91 22 6164 8554
Nupur Barve	India		nupur.barve@elaracapital.com	+91 22 6164 8532
Research				
Dr Bino Pathiparampil	Head of Research	Healthcare, Pharmaceuticals, Strategy	bino.pathiparampil@elaracapital.com	+91 22 6164 8689
Amit Purohit	Analyst	Building Materials, FMCG, Paints	amit.purohit@elaracapital.com	+91 22 6164 8594
Ankita Shah	Analyst	Infrastructure, Ports & Logistics, Industrials	ankita.shah@elaracapital.com	+91 22 6164 8516
Biju Samuel	Analyst	Quantitative & Alternate Strategy	biju.samuel@elaracapital.com	+91 22 6164 8505
Gagan Dixit	Analyst	Aviation, Chemicals, Oil & Gas	gagan.dixit@elaracapital.com	+91 22 6164 8504
Garima Kapoor	Economist		garima.kapoor@elaracapital.com	+91 22 6164 8527
Harshit Kapadia	Analyst	Capital Goods, Consumer Electronics	harshit.kapadia@elaracapital.com	+91 22 6164 8542
Jay Kale, CFA	Analyst	Auto & Auto Ancillaries	jay.kale@elaracapital.com	+91 22 6164 8507
Karan Taurani	Analyst	Media & Entertainment, Alcobev, QSR, Internet	karan.taurani@elaracapital.com	+91 22 6164 8513
Prakhar Agarwal	Analyst	Banking & Financials	prakhar.agarwal@elaracapital.com	+91 22 6164 8502
Prashant Biyani	Analyst	Agrochemicals, Fertilisers, Hotels, Sugar	prashant.biyani@elaracapital.com	+91 22 6164 8581
Prerna Jhunjunwala	Analyst	Textiles, Retail	prerna.jhunjunwala@elaracapital.com	+91 22 6164 8519
Ravi Sodah	Analyst	Cement, Metals & Mining	ravi.sodah@elaracapital.com	+91 22 6164 8517
Ruchi Mukhija	Analyst	IT Services	ruchi.mukhija@elaracapital.com	+91 22 6164 8583
Rupesh Sankhe	Analyst	Utilities, Renewables, Capital Goods, Real Estate	rupesh.sankhe@elaracapital.com	+91 22 6164 8518
Shweta Daptardar	Analyst	Diversified Financials, Non Lending Financials	shweta.daptardar@elaracapital.com	+91 22 6164 8559
Saurabh Mitra	Sr. Associate	Cement, Metals & Mining	saurabh.mitra@elaracapital.com	+91 22 6164 8546
Aditya Jaiswal	Associate	Strategy	aditya.jaiswal@elaracapital.com	+91 22 4204 8683
Amogh Deshpande	Associate	Aviation, Chemicals, Oil & Gas	amogh.deshpande@elaracapital.com	+91 22 4204 8664
Bhavi Shah	Associate	Cement, Metals & Mining	bhavi.shah@elaracapital.com	+91 22 6164 8521
Gaurang Sakare	Associate	Healthcare, Pharmaceuticals	gaurang.sakare@elaracapital.com	+91 22 4204 8618
Heet Van	Associate	Healthcare, Pharmaceuticals	heet.van@elaracapital.com	+91 22 6164 8545
Himanshu Dhyawala	Associate	Diversified Financials, Non Lending Financials	himanshu.dhyawala@elaracapital.com	+91 22 4204 8661
Jinesh Kothari	Associate	Infrastructure, Ports & Logistics	jinesh.kothari@elaracapital.com	+91 22 6164 8500
Kartik Solanki	Associate	Banking & Financials	kartik.solanki@elaracapital.com	+91 22 4204 8604
Ketul Dalal	Associate	Auto & Auto Ancillaries	ketul.dalal@elaracapital.com	+91 22 4204 8693
Keval Shah	Associate	Strategy	keval.shah@elaracapital.com	+91 22 4204 8669
Mudit Kabra	Associate	Capital Goods, Consumer Electronics	mudit.kabra@elaracapital.com	+91 22 4204 8611
Nemish Sundar	Associate	Capital Goods, Consumer Electronics	nemish.sundar@elaracapital.com	+91 22 4204 8683
Nishant Chowhan, CFA	Associate	Auto & Auto Ancillaries	nishant.chowhan@elaracapital.com	+91 22 4204 8667
Palak Shah	Associate	Banking & Financials	palak.shah@elaracapital.com	+91 22 4204 8682
Ragini Pande	Associate	Utilities, Renewables	ragini.pande@elaracapital.com	+91 22 6164 8500
Rohit Harlikar	Associate	Building Materials, FMCG, Paints	rohit.harlikar@elaracapital.com	+91 22 6164 8562
Rounak Ray	Associate	Media & Entertainment, Alcobev, QSR, Internet	rounak.ray@elaracapital.com	+91 22 4204 8684
Seema Nayak	Associate	IT Services, Internet	seema.nayak@elaracapital.com	+91 22 4204 8687
Shweta Roy	Associate	Economics	shweta.roy@elaracapital.com	+91 22 6164 8500
Subhankar Sanyal	Associate	Economics	subhankar.sanyal@elaracapital.com	+91 22 4204 8688
Tanvi Tambat	Associate	Real Estate	tanvi.tambat@elaracapital.com	+91 22 6164 8537
Ujwal Wadighare	Associate	Agrochemicals, Fertilisers, Hotels, Sugar	ujwal.wadighare@elaracapital.com	+91 22 4204 8684
Vaibhav Chechani	Associate	IT Services, Internet	vaibhav.chechani@elaracapital.com	+91 22 4204 8682
Vidhi Puj	Associate	Building Materials, FMCG, Paints	vidhi.puj@elaracapital.com	+91 22 4204 8692
Vinayak Patil	Database		vinayak.patil@elaracapital.com	+91 22 6164 8510
Priyanka Sheth	Editor		priyanka.sheth@elaracapital.com	+91 22 6164 8568
Prakriti Singh	Editor		prakriti.singh@elaracapital.com	+91 22 6164 8500
Gurunath Parab	Production		gurunath.parab@elaracapital.com	+91 22 6164 8515
Jinesh Bhansali	Production		jinesh.bhansali@elaracapital.com	+91 22 6164 8537

Access our reports on Bloomberg: Type **RESP ESEC <GO>**

Also available on **Thomson & Reuters**

Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500

CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933

Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236

Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018

Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509

Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509