

December 19, 2025

Event Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,060		875	
NII (Rs.)	3,02,769	3,50,194	3,02,769	3,50,194
% Chng.	-	-	-	-
PPoP (Rs.)	2,24,902	2,60,455	2,24,902	2,60,455
% Chng.	-	-	-	-
EPS (Rs.)	52.1	61.2	65.2	76.5
% Chng.	(20.0)	(20.0)	-	-

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	2,18,531	2,56,810	3,02,769	3,50,194
Growth (%)	16.3	17.5	17.9	15.7
Op. Profit (Rs m)	1,62,609	1,89,528	2,24,902	2,60,455
PAT (Rs m)	81,042	1,00,350	1,22,637	1,43,968
EPS (Rs.)	43.1	47.4	52.1	61.2
Gr. (%)	12.5	10.0	10.0	17.4
DPS (Rs.)	8.6	9.5	7.8	9.2
Yield (%)	1.0	1.1	0.9	1.0
Margin (%)	9.0	9.0	9.1	9.1
RoAE (%)	15.5	12.4	11.0	11.5
RoAA (%)	3.1	3.0	3.0	3.1
PE (x)	20.9	19.0	17.3	14.7
P/BV (x)	3.0	1.8	1.8	1.6
P/ABV (x)	3.4	1.9	1.9	1.7

Key Data

SHMF.BO | SHFL IN

52-W High / Low	Rs.914 / Rs.493
Sensex / Nifty	84,929 / 25,966
Market Cap	Rs.1,696bn / \$ 18,998m
Shares Outstanding	1,881m
3M Avg. Daily Value	Rs.5559.43m

Shareholding Pattern (%)

Promoter's	25.39
Foreign	52.62
Domestic Institution	16.45
Public & Others	5.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	38.3	53.1
Relative	10.6	32.4	42.8

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MUFG buys 20% stake in SHFL

Japanese lender MUFG Bank is investing Rs 396.2 bn in Shriram Finance through preference shares, at a post-money valuation of 1.8x P/B. The transaction will significantly strengthen Shriram Finance's capital base, improve its balance sheet resilience and provide long-term growth capital to support expansion across lending segments. We expect CRAR to see a boost of ~15% with the equity infusion (Exhibit 1) with SHFL on track for a rating upgrade. While RoE is likely to be subdued at ~12% in FY28E, RoA remains intact at 3.1%. We keep our multiple unchanged at 2.2x Sep-27 P/ABV and maintain BUY with a revised TP of Rs 1,060.

- **Event:** MUFG Bank is investing Rs 396.2 bn (~USD 4.4 bn) in Shriram Finance (SHFL) through preferential shares. This investment will result in MUFG Bank acquiring a 20% stake in SHFL on a fully diluted basis. As part of the transaction, MUFG has the right to nominate upto 2 non-independent directors to the board and pre-emptive rights to maintain its shareholding. These special rights will lapse if MUFG's stake falls below 10% and will be subject to shareholder approval. The proposed minority investment by MUFG Bank is subject to shareholder approval, regulatory clearances and customary closing conditions.
- **About the lender:** MUFG Bank, Ltd. is Japan's premier bank, with a global network spanning around 50 countries. MUFG Bank's parent is Mitsubishi UFJ Financial Group, Inc. with a legacy of over 130 years in India..
- **Our view:** We believe the deal reinforces confidence in SHFL by strengthening its balance sheet and providing access to long-term growth capital. We expect an increase of ~15% in CRAR ratio to ~36% post equity infusion (vs. 21% as of Sep-25).

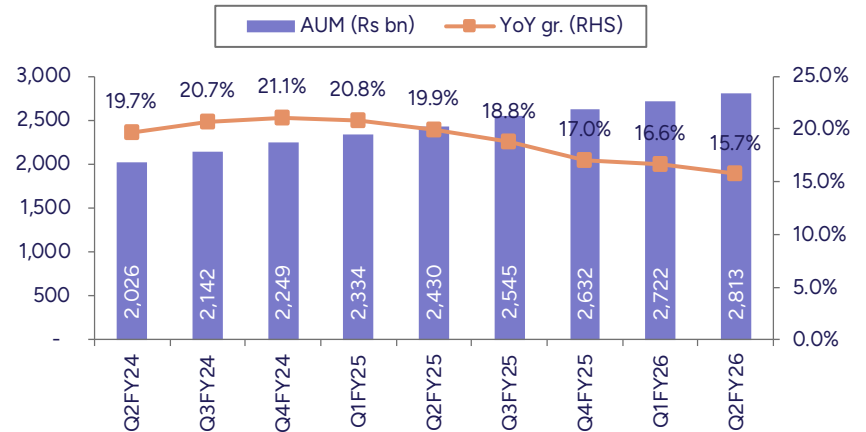
Exhibit 1: Expect a boost in CAR to ~36% (vs. 21% currently)

	FY25	Sep-25	Post equity infusion
Tier 1 ratio	20.0%	20.0%	35.8%
Risk Weighted Assets (Rs mn)	2,353,040	2,509,280	2,509,280
Tier 1 (Rs mn)	471,260	501,350	897,530
Equity (Rs mn)	564,700	604,040	
Tier 1 as a % of equity	83%	83%	

Source: Company, PL

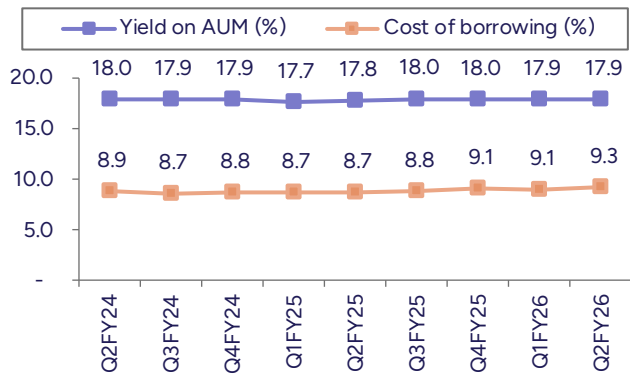
- While the collaboration marks renewed large-investor interest in the Shriram group following the exit of Piramal in 2023, we believe the positives have already been captured in the valuation (Stock is +11.5% over the past month). With this deal, we believe SHFL is on track for a rating upgrade (currently AA+). We adjust our net-worth for the transaction and keep our multiple of 2.2x Sep-27 P/ABV unchanged. Maintain BUY with a TP of Rs 1,060.

Exhibit 2: 2QFY26 AUM grew 15.7% YoY on strong growth in CV, PV and MSME



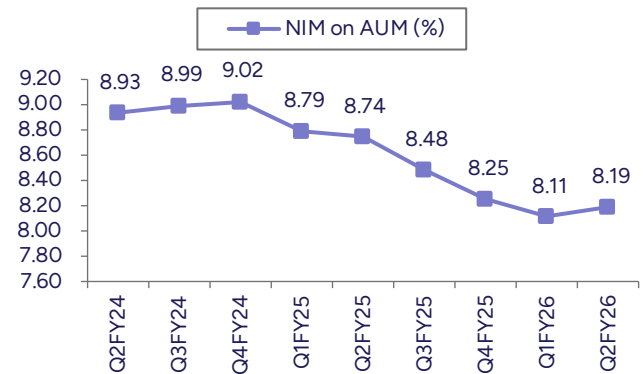
Source: Company, PL

Exhibit 3: Expect cost of borrowing to come down gradually



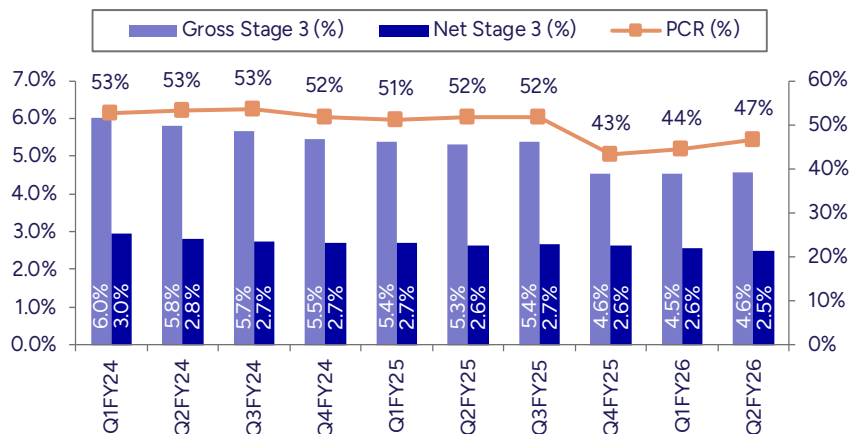
Source: Company, PL

Exhibit 4: NIM has seen an improvement in 2QFY26



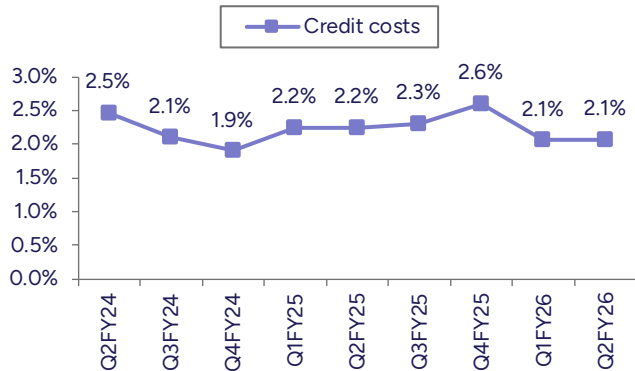
Source: Company, PL

Exhibit 5: Asset quality trend has been stable



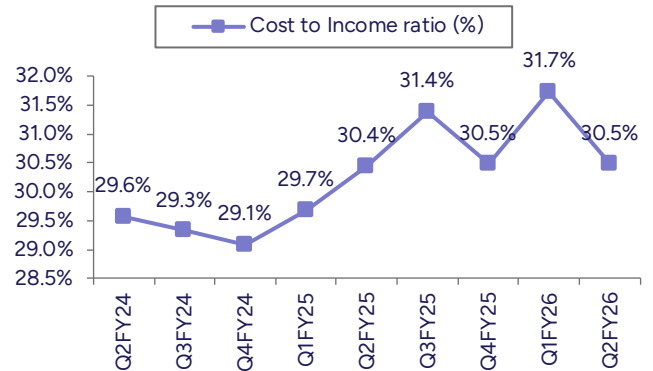
Source: Company, PL

Exhibit 6: Credit cost stabilized in 2QFY26



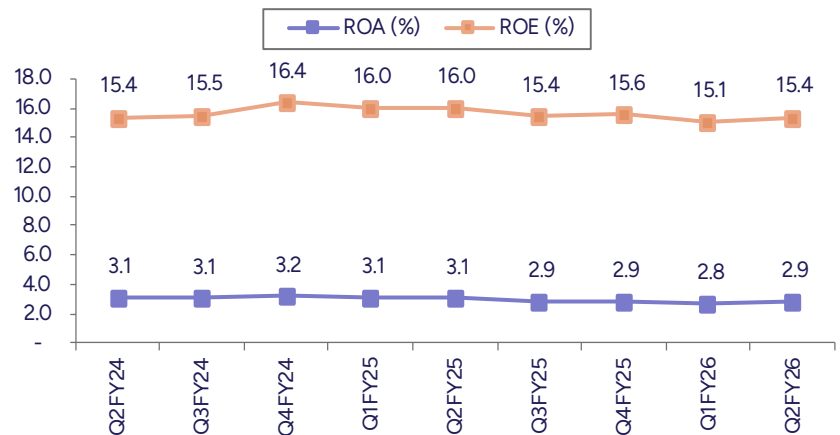
Source: Company, PL

Exhibit 7: Opex improved and remained broadly at YoY level



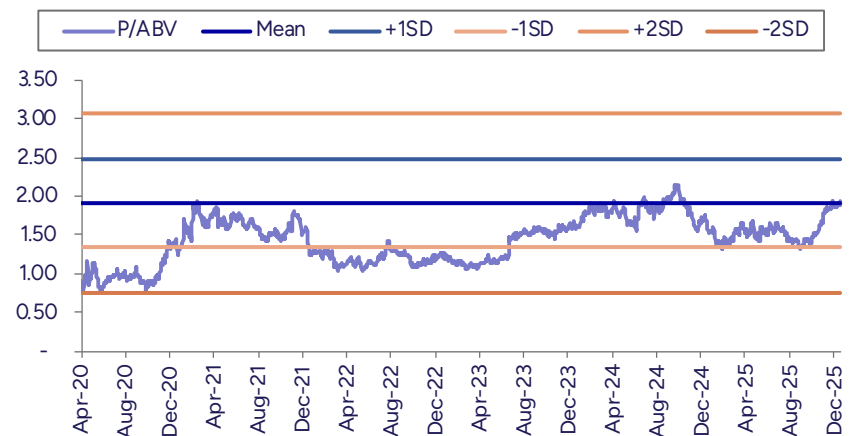
Source: Company, PL

Exhibit 8: RoA/RoE stood at 2.9%/ 15.4% in 2QFY26



Source: Company, PL

Exhibit 9: One-year forward P/ABV of SHFL trades at 1.9x



Source: Company, PL


Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	4,03,076	4,74,728	5,46,894	6,35,983
Interest Expenses	1,84,546	2,17,918	2,44,125	2,85,789
Net interest income	2,18,531	2,56,810	3,02,769	3,50,194
Growth(%)	16.3	17.5	17.9	15.7
Non-interest income	15,494	13,018	13,749	15,012
Growth(%)	10.8	(16.0)	5.6	9.2
Net operating income	2,34,025	2,69,828	3,16,518	3,65,206
Expenditures				
Employees	36,512	39,423	44,425	50,231
Other Expenses	34,904	40,878	47,191	54,520
Depreciation	-	-	-	-
Operating Expenses	71,416	80,301	91,616	1,04,752
PPP	1,62,609	1,89,528	2,24,902	2,60,455
Growth(%)	14.5	16.6	18.7	15.8
Provisions	53,117	54,567	60,288	67,209
Profit Before Tax	1,09,493	1,34,961	1,64,614	1,93,246
Tax	28,450	34,611	41,977	49,278
Effective Tax rate(%)	26.0	25.6	25.5	25.5
PAT	81,042	1,00,350	1,22,637	1,43,968
Growth(%)	12.7	23.8	22.2	17.4

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Source of funds				
Equity	3,761	4,704	4,704	4,704
Reserves and Surplus	5,59,045	10,51,237	11,73,874	13,17,843
Networth	5,62,806	10,55,941	11,78,579	13,22,547
Growth (%)	15.9	87.6	11.6	12.2
Loan funds	23,41,973	26,66,133	30,87,628	36,43,414
Growth (%)	26.0	13.8	15.8	18.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	9,647	19,829	20,634	21,472
Other Liabilities	20,904	23,770	24,736	25,740
Total Liabilities	29,35,329	37,65,673	43,11,576	50,13,172
Application of funds				
Net fixed assets	-	-	-	-
Advances	24,53,928	28,79,423	33,34,638	38,25,584
Growth (%)	18.0	17.3	15.8	14.7
Investments	1,55,987	1,73,299	1,91,433	2,25,892
Current Assets	2,13,657	5,78,980	6,46,094	8,16,625
Net current assets	2,04,011	5,59,152	6,25,460	7,95,153
Other Assets	1,11,757	1,33,971	1,39,411	1,45,071
Total Assets	29,35,329	37,65,673	43,11,576	50,13,172
Growth (%)	23.7	28.3	14.5	16.3
Business Mix				
AUM	26,31,903	30,86,668	35,74,647	41,00,928
Growth (%)	17.0	17.3	15.8	14.7
On Balance Sheet	25,99,159	30,31,108	35,03,154	40,18,910
% of AUM	98.76	98.20	98.00	98.00
Off Balance Sheet	32,744	55,560	71,493	82,019
% of AUM	1.24	1.80	2.00	2.00

Profitability & Capital (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	9.0	9.0	9.1	9.1
ROAA	3.1	3.0	3.0	3.1
ROAE	15.5	12.4	11.0	11.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Int. Inc. / Operating Inc.	1,03,408	1,07,895	1,11,732	1,15,506
Income from securitization	-	-	-	-
Interest Expenses	47,628	52,330	54,105	55,417
Net Interest Income	55,896	55,655	57,725	60,258
Growth (%)	13.8	9.4	10.3	10.3
Non-Interest Income	3,646	6,707	3,685	3,662
Net Operating Income	59,542	62,363	61,410	63,919
Growth (%)	14.1	13.2	12.0	11.5
Operating expenditure	18,692	19,010	19,486	19,486
PPP	40,850	43,353	41,924	44,434
Growth (%)	-	-	-	-
Provision	13,258	15,633	12,857	13,333
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	44,543	27,928	29,473	31,860
Tax	8,462	6,326	7,510	8,028
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	19.0	22.7	25.5	25.2
PAT	35,698	21,394	21,557	23,072
Growth	96	10	9	11
Balance Sheet	-	-	-	-
AUM	25,44,697	26,31,903	27,22,490	28,13,095
YoY growth (%)	18.8	17.0	16.6	15.7

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	902	902	902	902
EPS (Rs)	43.1	47.4	52.1	61.2
Book value (Rs)	299.4	499.0	501.1	562.3
Adj. BV(Rs)	263.7	466.3	462.8	518.9
P/E(x)	20.9	19.0	17.3	14.7
P/BV(x)	3.0	1.8	1.8	1.6
P/ABV(x)	3.4	1.9	1.9	1.7
DPS (Rs)	8.6	9.5	7.8	9.2
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	1.0	1.1	0.9	1.0

Asset Quality

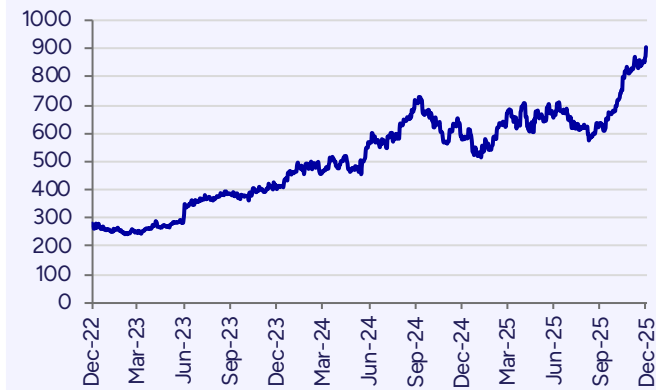
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	1,18,388	1,28,134	1,45,057	1,64,500
Net NPA(Rs m)	67,145	76,881	89,935	1,01,990
Gross NPAs to Gross Adv.(%)	4.6	4.5	4.4	4.3
Net NPAs to net Adv.(%)	2.6	2.7	2.7	2.7
NPA coverage(%)	43.3	40.0	38.0	38.0

Du-Pont as a % of AUM

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	8.2	7.7	7.5	7.5
NII INCI. Securitization	8.2	7.7	7.5	7.5
Total income	8.8	8.1	7.8	7.8
Operating Expenses	2.7	2.4	2.3	2.2
PPOP	6.1	5.7	5.6	5.6
Total Provisions	2.0	1.6	1.5	1.4
RoAA	3.1	3.0	3.0	3.1
Avg. Assets/Avg. net worth	5.2	3.6	3.7	3.8
RoAE	15.5	12.4	11.0	11.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Nov-25	BUY	875	749
2	07-Oct-25	Hold	685	667
3	27-Jul-25	Hold	650	616
4	08-Jul-25	Hold	685	671
5	28-Apr-25	Hold	685	655

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	1,125	1,048
2	Cholamandalam Investment and Finance Company	Hold	1,725	1,704
3	HDFC Life Insurance Company	BUY	900	761
4	ICICI Prudential Life Insurance Company	BUY	710	597
5	Mahindra & Mahindra Financial Services	Accumulate	375	353
6	Max Financial Services	BUY	1,925	1,702
7	SBI Life Insurance Company	Hold	1,950	1,903
8	Shriram Finance	BUY	875	749
9	Sundaram Finance	Hold	5,000	4,691

PL's Recommendation Nomenclature (Absolute Performance)

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

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