SAMRIDDHI EQUITY RESEARCH REPORT

SHRIRAM Finance



22nd October 2026

samriddhi Investment Fund

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Investment Thesis

CMP (22nd Oct, 2026): ₹ 901	Target Price: ₹ 1096	Buy: 21.64% Upside

Shriram Finance Ltd

- **Lower Funding Costs Support Medium-Term Earnings Growth**

  We forecast AUM to compound at ~16% through FY31E, with scope for earnings to grow faster as funding costs decline and operating efficiency improves. Management expects a 60-70 bps funding-cost reduction following the MUFG-led rating upgrade, while maintaining credit-cost guidance of 2% for the next 2-3 years. Benefits should emerge gradually as liabilities reprice, although expansion into lower-yielding assets could partly offset the savings.

- **MUFG Capital Supports Growth and Gradual ROE Recovery**

  MUFG's ₹39,618 crore equity infusion strengthens Shriram's capital base, with debt-to-equity forecast to fall from 3.8× in FY26 to 2.4× in FY27E. While the larger equity base initially dilutes ROE, we expect it to recover from 10.3% in FY27E to 13.3% in FY28E and 15.9% by FY31E as capital is deployed into lending. This additional capacity supports our forecast of approximately 16% annual AUM growth.

- **Vehicle Finance and Gold Loans Support Sustained Growth**

  Shriram's established used-vehicle franchise supports our forecast CV AUM growth of 18% in FY27E and 16% annually thereafter.

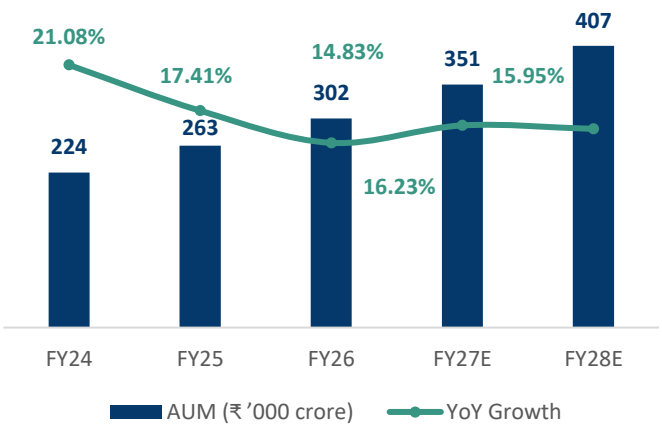
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Exhibit 1: AUM Expected to Compound at ~16% Through FY28E



Source: Company fillings, Samriddhi Analysis

We forecast passenger-vehicle and gold AUM growth of 20% and 40%, respectively, in FY27E, with gold's share of the book increasing from 2.2% in FY26 to 4.1% by FY31E. Expansion through existing branches and customer relationships supports growth, while vehicle finance remains approximately 80% of AUM.

Downside Risk:

- **Asset Quality and Capital Deployment Risks**

  With commercial vehicles accounting for approximately 47% of AUM, weaker freight activity, higher fuel costs or pressure on rural incomes could impair collections. Credit costs above our assumptions would reduce earnings and book-value growth. Slower deployment of MUFG capital, or funding-cost reductions falling short of expectations, could also delay ROE recovery and limit the upside implied by our valuation.

Industry Overview

India's NBFC sector plays a critical role in financial intermediation by catering to borrowers that are often underserved by traditional banks, including commercial vehicle operators, MSMEs, small businesses and rural households. The sector continues to witness strong credit expansion, supported by increasing credit penetration, economic activity and diversified lending opportunities. NBFC credit growth reached 14.9% YoY in July 2026, compared with 10.6% in July 2025. NBFC AUM grew approximately 19% in FY26, compared with 15% growth in bank credit. Growth was led by Gold NBFCs (+53%) and Diversified NBFCs (+20%), while HFCs and MFIs recorded approximately 9% growth.

Key Regulatory Initiatives

RBI Upper Layer Simplification

The RBI has proposed replacing the existing parametric scoring mechanism for Upper Layer NBFC classification with a single asset threshold of ₹1 lakh crore.

- The number of Upper Layer NBFCs could increase from 15 to approximately 19, expanding their share of sector assets from 30% to nearly 70%.
- Newly classified entities would be subject to an 8% CET1 requirement (out of 10% Tier 1), large exposure limits and mandatory listing within three years.
- Once classified, an entity would remain in the Upper Layer for at least five years.
- Government-owned NBFCs would also be included.

Implication for Shriram Finance: Shriram is already an Upper Layer NBFC, so the revised asset threshold is unlikely to change its regulatory classification. The company must continue meeting the applicable capital, governance and large-exposure requirements as its loan book expands.

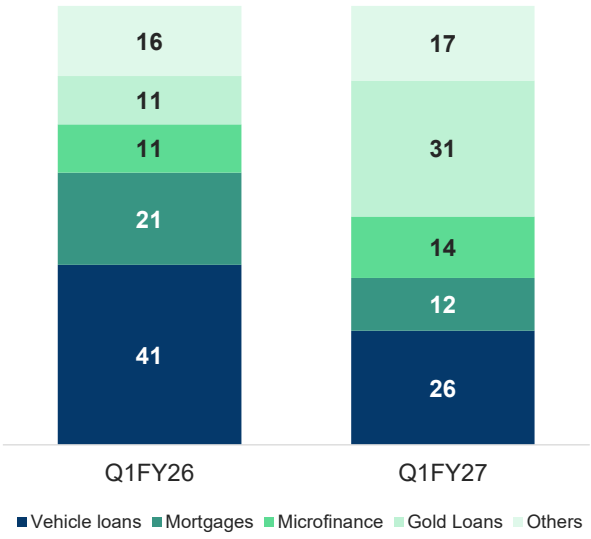
Funding-Side Support

Securitization volumes rose 22% YoY to approximately ₹60,000 crore in Q1FY27, providing an important funding channel for NBFCs. However, the RBI raised the repo rate by 25 bps to 5.50% on 7 October 2026 and adopted a calibrated-tightening stance, which could increase incremental borrowing costs.

Implication for Shriram Finance: The MUFG-linked rating upgrade could help narrow Shriram's funding-cost disadvantage against peers. Management indicated potential savings of 60–70 bps over time in September 2026, before the October rate hike. The extent of savings will depend on market interest rates and the repricing of existing liabilities.

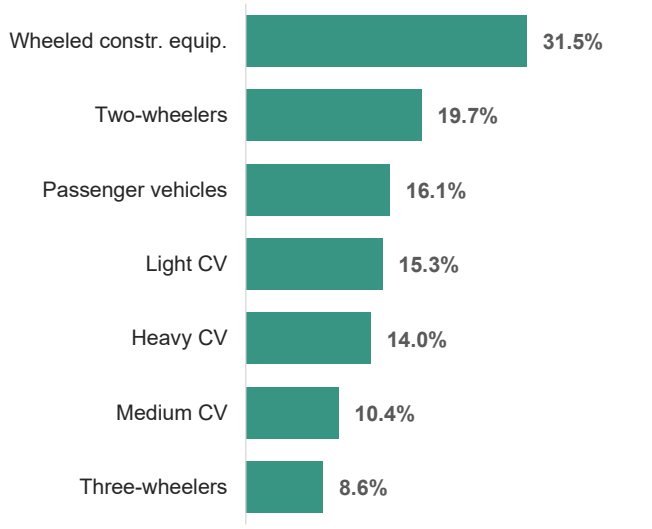
Funding and Vehicle Demand

Exhibit 2: Securitization Issuance Mix by Asset Class (%)



Source: CRISIL Ratings, NBFC originations drive securitisation volume to first-quarter peak, 6 July 2026

***Exhibit 3: Vehicle retail growth by segment* (Aug'26, YoY %)**

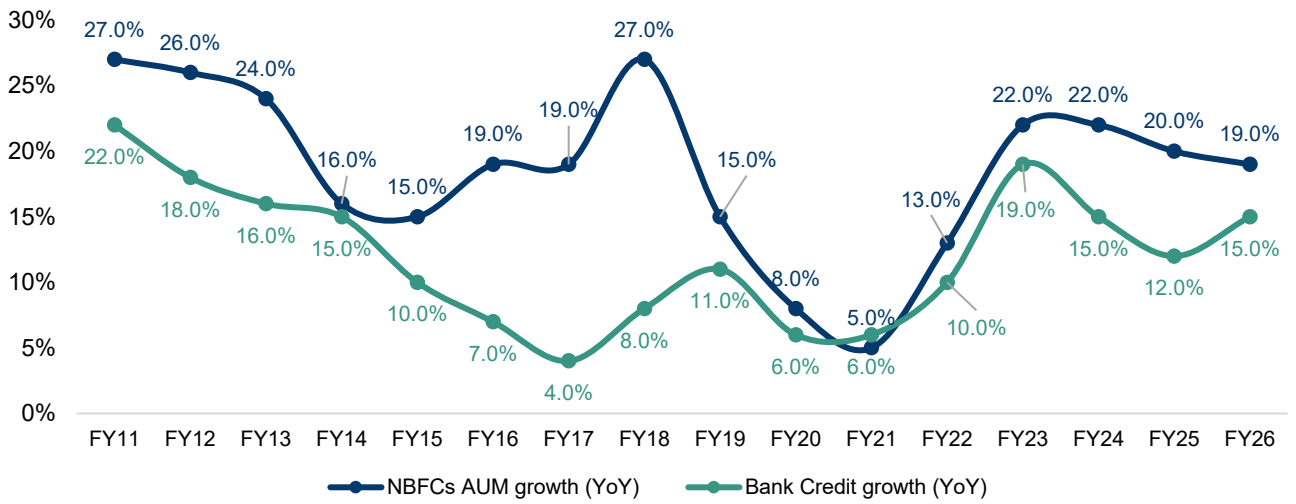


Source: FADA, August 2026 Vehicle Retail Data, released 7 September 2026

India's real GDP expanded 7.7% in FY26, with the RBI projecting 7.1% FY27 growth in October 2026. March activity data showed YoY growth of 10% in steel consumption and 13% in e-way bills, while cement production rose 9% in February. Two-wheeler and passenger-vehicle sales grew 19% and 16%, respectively. Three-wheeler and EV registrations increased 29% and 52%.NBFC loan growth reached 19% in FY26 within BCG's 30-lender sample, compared with 15% bank credit growth. Gold-focused and diversified lenders grew 53% and 20%, respectively, while HFCs and MFIs recorded approximately 9%. Major players, including Cholamandalam, Bajaj Housing Finance and Aditya Birla Capital, reported double-digit disbursement growth.West Asia disruptions could raise energy costs and pressure borrower repayment capacity. Rupee weakness increases risks on unhedged overseas borrowings, while foreign portfolio outflows may weigh on valuations and capital raising. Slower Gulf remittances could also affect gold-loan and affordable-housing portfolios in southern India. Six of 30 NBFCs in BCG's review flagged West Asia risks in their FY26 earnings calls. For Shriram Finance, resilient vehicle demand and industrial activity support AUM growth, although higher fuel costs could strain commercial-vehicle borrowers' cash flows.

Recent Industry Trends

Exhibit 4: NBFC AUM and Bank Credit Growth (FY11–FY26, YoY %)



Source: Capitaline, Company fillings, BCG Analytics

- **Asset quality and capital:** Sector GNPA declined ~120 bps since FY23, while FY26 credit costs remained stable at ~1.6%, despite a 51 bps increase for HFCs. Shriram's gross Stage 3 ratio stood at 4.64% in Q1FY27. RBI stress tests indicate aggregate capital remains above regulatory requirements under severe stress, although some lenders could breach the minimum.
- **Diversified NBFCs:** Foreign strategic capital commitments reached ~₹52,000 crore in FY26. Piramal reduced wholesale exposure from 66% to below 3% of AUM over four years. Off-book AUM reached ~35% at leading peers, supported by expanding co-lending partnerships. Four lenders deployed AI in core operations, with Tata Capital reporting a 14 bps reduction in credit costs.
- **Gold NBFCs:** AUM growth was largely driven by higher collateral values. Competition from banks and diversified lenders compressed yields by ~400 bps to 17.5–18%.
- **HFCs and MFIs:** HFCs face margin compression, faster LAP growth and increased NHB scrutiny of loan classification. MFI recovery is supported by tighter underwriting and greater adoption of digital collections.
- **Valuation:** NBFCs delivered three-year annualised returns of 23.0%, versus 19.9% for banks. In March 2026, Shriram traded at ~2.9× P/B, compared with Cholamandalam at 5.3× and Bajaj Finance at 3.7×

Company Overview

Incorporated in 1979 as Shriram Transport Finance Company Limited (STFC), Shriram Finance's journey began with a singular focus on commercial vehicle financing. The most transformative milestone came in 2022-23, when Shriram City Union Finance and Shriram Capital merged with STFC to form Shriram Finance Limited - India's largest retail NBFC at the time of merger. It is among India's leading retail-focussed non-banking NBFC companies, with a presence built across semi-urban and underpenetrated markets where access to formal credit remains uneven.

Over time, the Company has shaped a diversified lending platform spanning commercial vehicles, two-wheelers, passenger vehicles, construction and farm equipment, MSME financing, gold loans, personal loans and working capital solutions, reflecting the breadth of credit demand across the Indian economy.

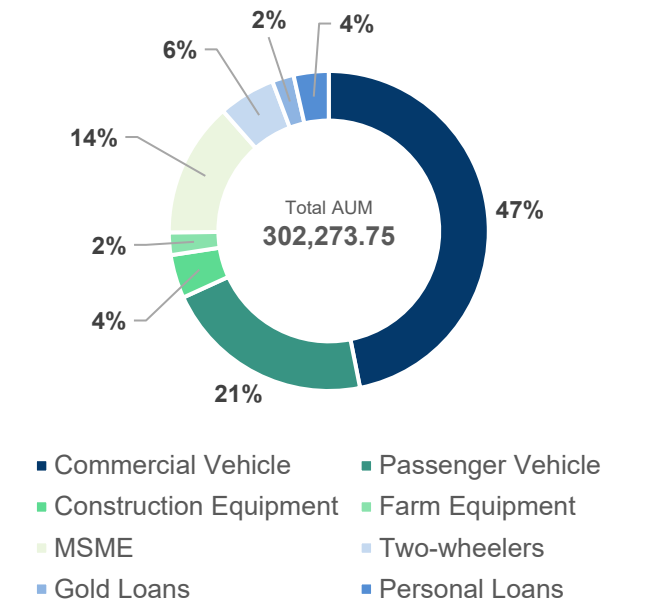
The Company recorded a Net Interest Income (NII) of ₹26,051 crores in FY26, reflecting a 14.09% year-on-year growth. Profit After Tax for the full year stood at ₹9,998 crores, marking a robust 20.87% increase over the previous year. Total Assets Under Management (AUM) crossed the ₹3 lakh crore milestone, reaching ₹3,02,273.8 crores as on 31st March 2026 - a 14.85% growth year-on-year.

The Company entered into a strategic partnership with MUFG Bank Ltd - a member of MUFG, one of the world's largest financial institutions with total assets exceeding USD 3.5 trillion. MUFG acquired an approximately 20% stake in Shriram Finance through a primary capital infusion of ₹39,618 crores, making it one of the largest-ever foreign investments in an Indian NBFC.

On the growth front, it supports an accelerated AUM trajectory of 18–20% annually, underpinned by a significantly stronger capital base. From a funding perspective, the partnership opens access to deep and diversified Japanese and global capital markets, reducing dependence on domestic borrowing channels and enabling a gradual improvement in cost of funds as MUFG's institutional backing enhances Shriram Finance's credit profile with international lenders.

Shareholding shift: MUFG's 20.02% stake came through fresh issuance, diluting the Shriram group entities (Shriram Capital and Shriram Value Services) from a combined ~24.96% to ~19.95%, so MUFG is now the largest single shareholder.

Exhibit 5: Portfolio Composition in terms of total AUM (in ₹ Cr)



Source: Company fillings

Exhibit 6: Change in Holding of Top 3 Shareholders

Name	% Holding in Jun'25	% Holding in Jun'26
MUFG Bank Ltd	--	20.02 %
Shriram Capital Private Ltd	17.85 %	14.27 %
Shriram Value Services Ltd	7.11 %	5.68 %

Source: Company fillings

Business Model:

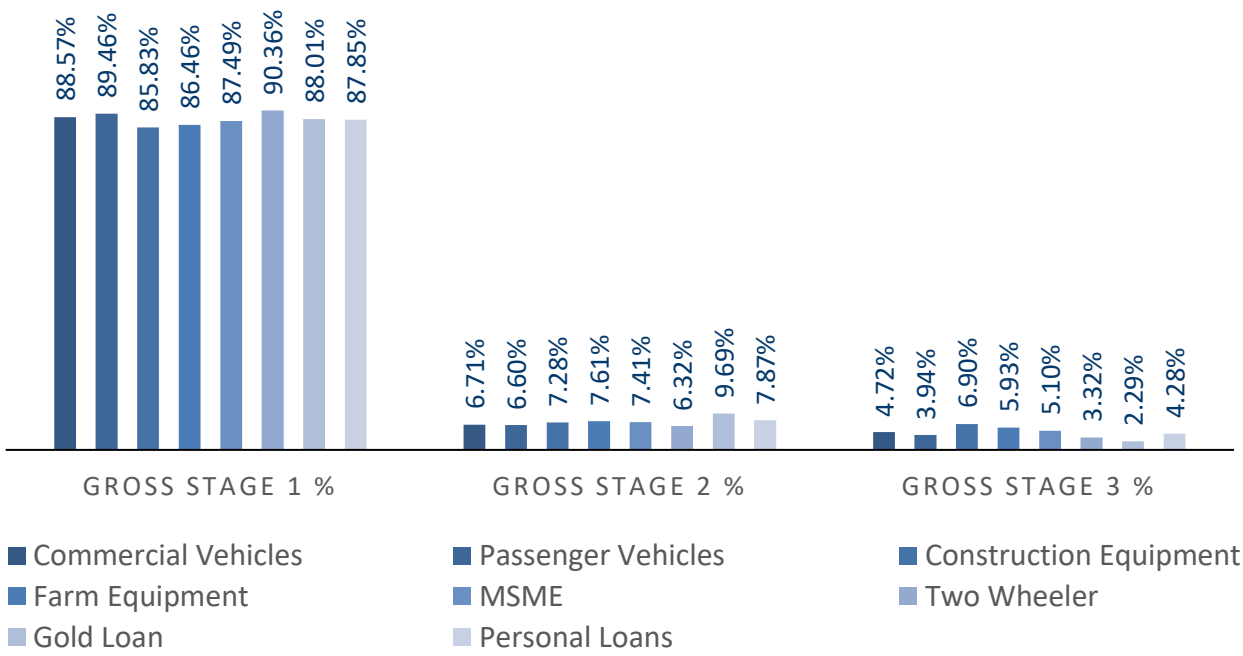
Shriram Finance's lending model is structured around three interlocking processes;

Targeting the Unbanked
Shriram serves customers that traditional banks reject those who lack formal documentation and are invisible to centrally underwritten credit markets. Its core borrower segments include First-Time Buyers , Driver-Turned-Owners, Small Road Transport Operators, and MSME and rural borrowers.

Collection Process
The employee who sanctions the loan is also responsible for recovering it ensuring highly efficient lending and full accountability. This structure creates aligned incentives, relationship-based recovery, and same-employee end-to-end ownership of every customer account.

Underwriting Process
Shriram has the unique ability to underwrite .Creditworthiness is assessed through intent and discipline, utility payments and rental records, AI-powered behavioural analytics, and in-house vehicle valuation built over 40+ years of domain expertise.

Exhibit 7 : Asset Quality Distribution by Stage Across Loan Segments as on 31st March 2026



Source: Company fillings

At a segment level, Gold Loans exhibit the strongest asset quality with a Gross Stage 3 of just 2.29%, benefiting from the inherent security of the underlying collateral and shorter loan tenors. Passenger Vehicles follow with a GNPA of 3.94%. Construction Equipment emerges as the most stressed segment at 6.90% Gross Stage 3, reflecting the cyclical nature of infrastructure activity and the subprime borrower profile in this category. Commercial Vehicles - the company's largest segment - carry a GNPA of 4.72%, which is structurally consistent with Shriram Finance's focus on Small Road Transport Operators , a segment historically underserved by banks and characterised by higher but well-understood credit risk.

Key Business Segment

Commercial Vehicle Loans
The bedrock of Shriram's franchise, built over four decades of deep relationships with Small Road Transport Operators - a segment chronically underserved by mainstream banks. The company finances both new and pre-owned CVs, with used vehicle financing being its core moat and market leadership. CV sales grew 12.64% in FY26 to 10.8 lakh units, directly supporting disbursement momentum.

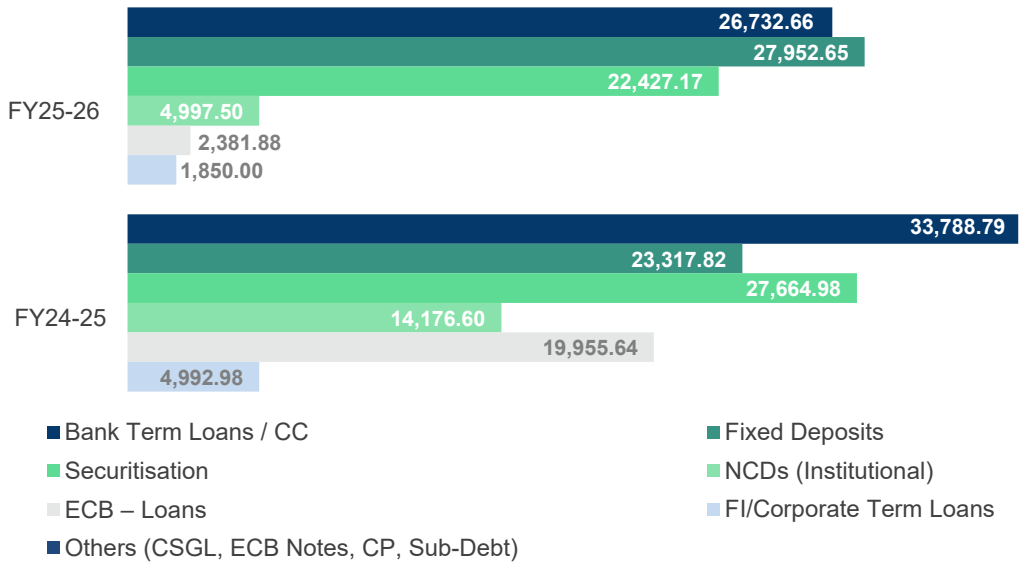
Passenger Vehicle Loans
The second largest segment and the highest growth opportunity in FY27, with management guiding more than 20% AUM growth. PV sales grew 7.94% in FY26, with EV PV sales surging 82.4% - a structural tailwind for new vehicle financing. New vehicle proportion within PV disbursements is rising as Shriram successfully retains customers previously lost to competition.

Two-Wheeler Loans
Targets daily wage workers and rural commuters for whom a two-wheeler is an economic necessity. National two-wheeler sales grew 10.70% in FY26 to 217 lakh units, with EV two-wheelers growing 21.72% opening a significant new financing vertical. Quick disbursal within 24 hours and minimal documentation are key product advantages.

Gold Loans
The fastest growing diversification segment with the best asset quality in the book - GNPA of just 2.29%. Inherent collateral security and short loan tenors make this low-risk and high-yield. Benefiting from formalisation of the gold loan market as borrowers migrate away from unorganised lenders.

Personal Loans
Shriram's newest and fully digital growth vertical - 100% digital, collateral-free, and primarily a cross-sell to existing CV and PV customers. The 71% Stage 3 coverage ratio is the highest in the book, reflecting conservative provisioning. Management remains watchful on unsecured lending given macro uncertainty.

Exhibit 8 : Mobilisation of funds over the years from following sources/instruments (in ₹ Cr)



Source: Company fillings

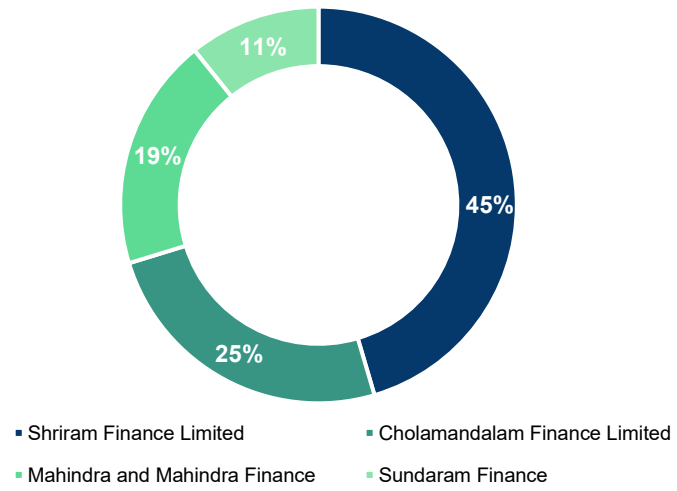
In FY 2025-26, Shriram Finance mobilised ₹86,342 crores across six instruments - of every ₹1 raised, 32 paise came from Fixed Deposits, 31 paise from bank borrowings, and 26 paise from securitisation, together accounting for nearly 89 paise. The remaining 11 paise were sourced from institutional NCDs, external commercial borrowings, and FI/corporate term loans.

Competitor Analysis

Competitive Landscape

The NBFC sector is witnessing increasing competition through product diversification, AI-driven innovation and digital distribution. Shriram Finance is expanding into MSME, gold and green finance, including EVs, charging infrastructure and solar financing, while leveraging its Shriram One Business App and CSC–trader integrations to expand customer reach. Mahindra Finance is utilising its OEM partnerships and rural network to enter SME and mortgage financing, supported by its Udaan platform, AI-driven underwriting, predictive analytics and automated collections to improve credit decisions and operational efficiency. Cholamandalam Finance is expanding into solar financing, equipment leasing and consumer durable loans through OEM partnerships, while adopting agentic AI, automated underwriting and its Chola One platform for faster, paperless lending. Sundaram Finance is strengthening SME, leasing and clean-fuel vehicle financing through cloud-based data platforms, machine learning and agentic AI pilots to streamline credit assessment and servicing. Collectively, these initiatives highlight a shift towards technology-enabled, diversified lending models, with companies competing through specialised products, wider distribution and faster credit delivery.

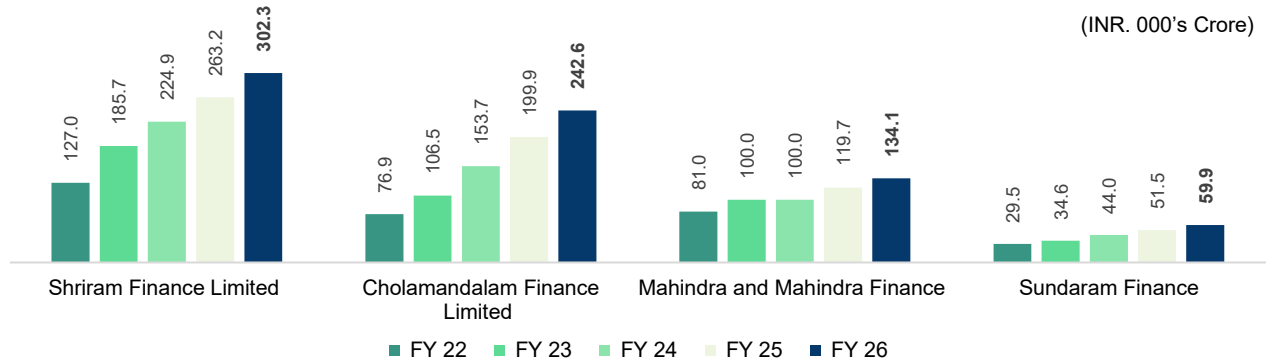
Exhibit 9: FY26 Branch Network Comparison



Source: Bloomberg

Shriram Finance leads the peer set with 3,225 branches, giving it the broadest physical distribution network and a strong advantage in rural and semi-urban customer acquisition. Cholamandalam follows with 1,761 branches and is using its expanding network to scale newer businesses such as gold loans and secured retail lending. Mahindra Finance operates 1,348 branches, supported by a wider rural ecosystem of channel outlets and digital platforms, while Sundaram Finance maintains a more selective 763-branch footprint, reflecting its relationship-led and quality-focused growth strategy.

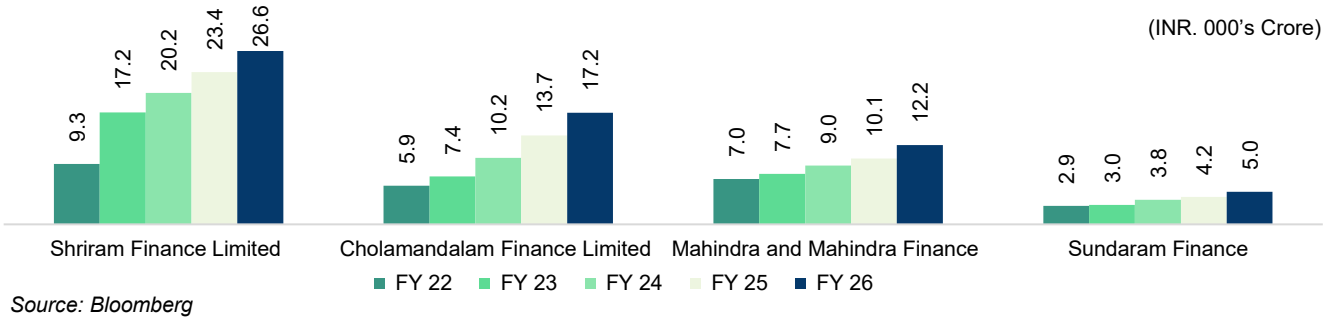
Exhibit 10: Assets Under Management (AUM) of Key Peers



Source: Bloomberg

Shriram Finance leads the peer group with an AUM of INR 3.02 lakh crore, demonstrating dominant scale across retail and commercial vehicle financing. Cholamandalam follows with INR 2.42 lakh crore, reflecting aggressive diversification into non-vehicle retail segments. Mahindra Finance records INR 1.34 lakh crore AUM, while Sundaram Finance maintains a focused, high-credit-quality portfolio at INR 0.60 lakh crore. Overall, the peer comparison highlights Shriram's scale leadership, Chola's rapid growth, and Sundaram's disciplined niche positioning

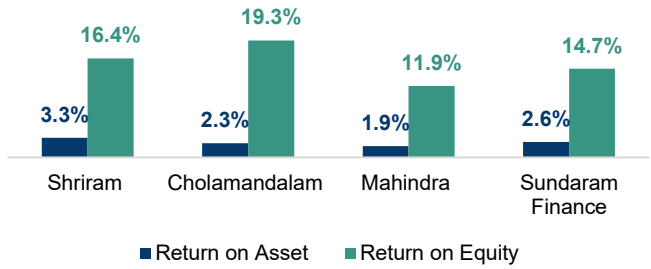
Exhibit 11: Net Revenue of Peers



Source: Bloomberg

Shriram Finance leads the peer group in FY26 net revenue at INR 26,612 Cr, sustaining strong top-line scale through deep pricing power and high portfolio yields in used commercial vehicles and micro-enterprise lending. Cholamandalam follows with INR 17,155 Cr, delivering the fastest overall top-line expansion as its diversification strategy gains traction across loan against property, affordable housing, and consumer financing. Mahindra Finance (INR 12,153 Cr) and Sundaram Finance (INR 5,007 Cr) reflect more tempered revenue trajectories, constrained by competitive rate pressure in prime vehicle segments, conservative underwriting filters, and cyclical demand across rural tractor and commercial fleet markets

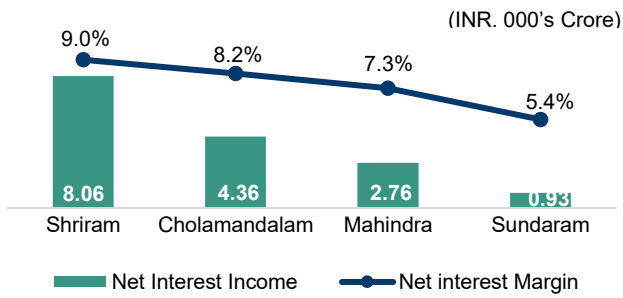
Exhibit 12: Return on Assets and Return on Equity of Peers



Source: Bloomberg

Cholamandalam leads in ROE at 19.33%, reflecting efficient equity utilisation and strong shareholder returns. Shriram Finance records the highest ROA at 3.26%, alongside 16.38% ROE, demonstrating superior asset profitability. Sundaram Finance maintains balanced returns with 2.56% ROA and 14.66% ROE, indicating stable profitability and efficient asset utilisation. Mahindra Finance trails with the lowest ROA of 1.89% and ROE of 11.85%, reflecting comparatively weaker profitability. Overall, Shriram leads in asset efficiency, while Cholamandalam excels in equity returns.

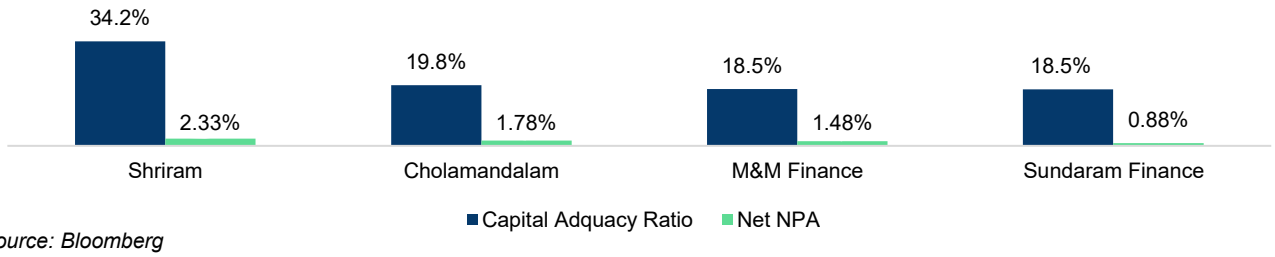
Exhibit 13: Net interest Income and Margin (1Q27)



Source: Bloomberg

In 1Q27, Shriram Finance leads peers with INR 8,055.7 Cr NII and a sector-high 9.0% NIM, driven by high yields in pre-owned commercial vehicles and MSME loans. Cholamandalam follows with INR 4,356.1 Cr NII and an 8.2% NIM, supported by its expanding mix of LAP and consumer finance. Mahindra Finance posts INR 2,764 Cr NII with a 7.3% NIM, while Sundaram Finance records INR 925 Cr NII at a conservative 5.4% NIM, reflecting its lower-risk prime fleet borrower base.

Exhibit 14: Capital Adequacy Ratio and Net NPA percentage of Peers (1Q27)



Source: Bloomberg

Shriram Finance commands a sector-leading 34.2% CAR following MUFG's equity infusion, with a 2.33% Net Stage 3 ratio reflecting higher-yielding MSME and used-vehicle loans. Sundaram Finance maintains the cleanest balance sheet with a 0.88% Net Stage 3 ratio and an 18.5% CAR, driven by conservative prime lending. Cholamandalam (19.8% CAR; 1.78% Net Stage 3) and Mahindra Finance (18.5% CAR; 1.48% Net Stage 3) sustain strong capital buffers and disciplined provisioning across their retail books.

Growth Drivers

- **Low Vehicle Penetration:** India remains significantly underpenetrated in vehicle ownership, with only 40 vehicles per 1,000 people, compared with 193 in China, 77 in Indonesia, 561 in the UK, and 807 in the US. Household car ownership is equally low at just 8% (*4% in rural areas and 13.2% in urban areas*), indicating substantial room for vehicle ownership to increase as incomes rise. This creates a multi-year demand runway for vehicle financiers like Shriram Finance.
- **Deep Rural and Semi-Urban Reach:** Nearly 89% of Shriram's 3,225 branches sit outside metros specifically 63.3% in rural/semi-urban centers (2,042 branches) and 25.5% in urban tiers (821 branches), with just 11.2% in big cities. This footprint feeds roughly 88% of the firm's total loan book. Most scheduled commercial banks run vehicle portfolios heavily weighted toward tier-1 cities (typically 75–85% urban/metro). That leaves a huge opening: the bulk of India's financing demand for used trucks, tractors, and two-wheelers lives with self-employed rural and semi-urban buyers who lack formal documentation. Shriram's 40-year local presence, field-based collections, and feet-on-the-ground valuation give it a real moat in markets mainstream banks still struggle to underwrite.
- **Portfolio Diversification Beyond Used CV Financing:** Following the merger, non-vehicle businesses have increased from ~15% of AUM in FY22 to ~19-20% today, reducing dependence on the core used-CV franchise. Management has outlined clear expansion targets across multiple segments, including increasing new vehicle financing to 25-30% of vehicle finance AUM, doubling gold loans from 2.5% to 5%, expanding MSME lending toward 20% of AUM, growing personal loans through cross-selling, and benefiting from an improving construction equipment cycle. This diversified product strategy allows the company to leverage its existing customer base and branch network while reducing single-segment cyclicality.
- **MSMEs Remain Largely Underpenetrated:** India's 75 million MSMEs contribute ~31% of GDP, employ over 33 crore people, and generate nearly 49% of exports, yet still face an estimated ₹60 lakh crore formal credit gap. Shriram Finance is leveraging its nationwide branch network to expand MSME lending beyond its traditional southern markets into western, northern, and eastern India, supported by the addition of 150 new branches in FY27. This allows the company to participate in a structurally underfunded segment while utilizing its existing distribution infrastructure.
- **MUFG Partnership:** The ₹40,000 crore equity capital infusion through MUFG's 20% stake acquisition, (*which was completed in April 2026*) triggered multiple credit-rating upgrades, including Moody's (*Baa3*) and Fitch (*BBB-*), alongside upgrades from domestic agencies. It is estimated that these upgrades could reduce incremental borrowing costs by around 100 basis points, improving both lending margins and future growth capacity. Following the MUFG deal, Shriram Finance's Capital Adequacy Ratio (*CRAR*) jumped sharply - its overall CRAR rose to 34.2% and its core Tier-1 capital ratio to 33.4% in Q1FY27, up from about 20.8%/20.2% a year earlier. This gives it the ability to grow its loan book significantly over the next few years purely by using this excess capital.

Key Risks

- **Portfolio concentration in Vehicle Finance:** Commercial and Passenger vehicle loans account for ~68% of total AUM. Slowdown in the automotive sector attributed by lower OEM sales, higher vehicle prices, slower replacement demand or changes in freight rates can quickly influence growth and asset quality of Shriram Finance. The company is taking measures to increase its loan book for MSME and gold loans, however majority of it still constitutes of Vehicle loans which increases portfolio concentration risk for Shriram Finance.
- **Dependence on Rural Demand and Weather conditions:** Shriram Finance is majorly in the business of providing commercial and passenger vehicle loans (~68% of total AUM) to rural and semi-urban borrowers. IMD recently lowered its forecast for 2026 Southwest monsoon, predicting only 90% of usual rainfall which is happening due to El Nino getting stronger and might lead to even more rainfall problems during important planting season. This would lead to a decline in agricultural income of the rural and semi-urban borrowers and rural spending which would directly affect Shriram Finance's disbursements and repayment capacity.
- **Geopolitical uncertainties and Fuel-Price Spikes:** RBI has lowered its economic growth forecast from 6.9% to 6.6% for FY27 due to the Oil Price war that has caused supply disruptions causing higher fuel and energy prices thereby increasing inflation. A prolonged increase in oil prices can put pressure on borrowers reducing lending.
- **Gold Loan Expansion Amid Price Volatility:** Management plans to roughly double the gold loan share of AUM from ~2.5% to ~5% over the medium term, supported by ~2,200 enabled branches. Rising gold prices generally reduce collateral risk and can support higher ticket sizes for these loans. However, increased volatility or sudden correction in gold prices can quickly erode the loan-to-value cushion and raise recovery challenges for the company.
- **Regulatory and Margin Risks:** NBFCs generally operate with a structurally higher cost of funds as compared to banks, making profitability more sensitive to changes in interest rates and market liquidity. The MUFG investment helped improve net interest margins and increased to 9.04%, however, the Management of Shriram Finance expect the medium term NIM to normalize to 8.5%. Shriram Finance must deploy its funds in higher margin segments to maintain a relatively stable margin profile.

Challenges

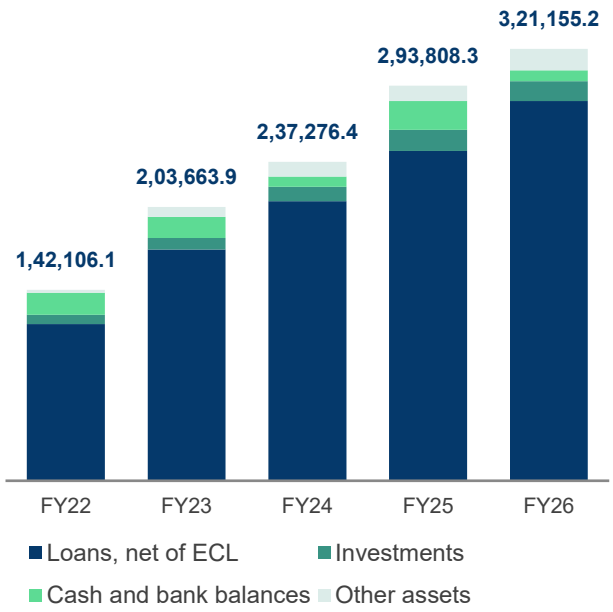
- **Margin Normalization Path:** NIM increased to 9.04% in Q1 FY27 on account of the large equity infusion from MUFG and lower funding costs. Management expects the elevated NIM level to hold for a few more quarters however gradually normalize toward 8.5% over the medium term. As surplus liquidity is deployed into growth and incremental borrowings resume, the temporary increase in margins will decline. Maintaining stable return structure while margins decline is a key execution challenge for Shriram Finance.
- **Product-Mix Transition:** The company is deliberately increasing the share of new-vehicle financing, targeting 25–30% of incremental disbursements (up from ~16–17%) to gradually expand its presence beyond the pre-owned segment. Because new vehicles carry structurally lower lending yields (~11–13%) than the traditional used commercial vehicle book (~16–18%), managing this disbursement mix shift without compressing blended portfolio yields or risk-adjusted margins requires strategic expansion, disciplined pricing, and rigorous customer selection.
- **Scaling New Growth Engines:** Gold loans (targeted to rise from 2.5% to 5% of AUM) and MSME lending (targeted to rise from 13-15% to 20%) are expected to grow faster than the overall book. Expanding MSME underwriting into western, northern and eastern markets, and scaling gold-loan volumes across 2,200 enabled branches, while maintaining underwriting discipline and asset quality, will remain an operational challenge for Shriram Finance.

Financial Analysis

Balance sheet analysis

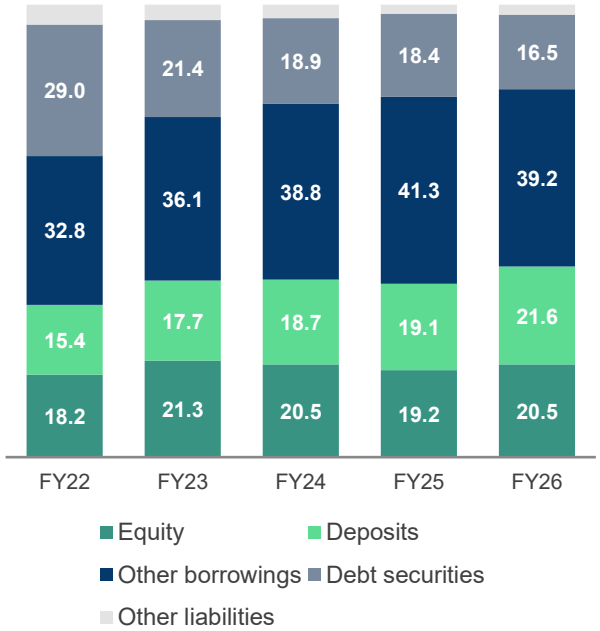
The analysis is based on Shriram Finance Limited's audited standalone financial statements for the five financial years ended 31 March 2026. The amalgamation of Shriram City Union Finance and Shriram Capital, effective from 1 April 2022, makes FY2022 a pre-merger base year. FY2025 reported profit includes a one-off post-tax gain of ₹1,489.4 crore from the sale of Shriram Housing Finance; accordingly, this gain is excluded from the profit growth calculations.

Exhibit 15: Composition of Total Assets as at 31 March (₹ crore)



Source: Company fillings

Exhibit 16: Funding Structure as at 31 March (% of Total Liabilities and Equity)



Source: Company fillings

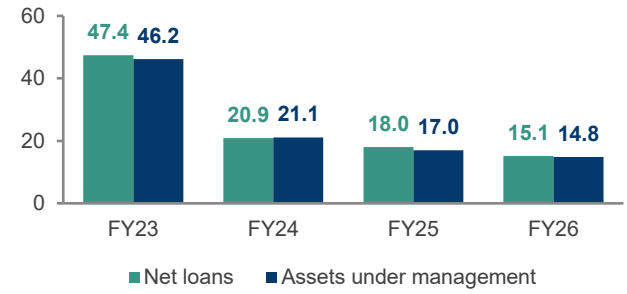
What the balance sheet shows

Total assets grew from ₹1,42,106.1 crore to ₹3,21,155.2 crore, 22.6% a year including the amalgamation and 16.4% since FY2023. Net loans are 87.9% of assets; in FY2026 they grew 15.1% while total assets grew only 9.3%, because ₹13,427.4 crore of surplus cash built in FY2025 was lent out. The book is granular and secured: commercial and passenger vehicles are 68.2% of AUM, 91.5% of loans are secured on tangible assets, the twenty largest borrowers are 0.2% of advances and ECL provisions cover 5.9% of gross loans.

Borrowings rose 7.0% to ₹2,50,689.9 crore across six sources, none above 28.0%; deposits are now the largest at 27.7% (19.1% in FY2022) and cost about 8.9%, close to bank loans and NCDs. Equity rose 16.7% to ₹65,704.9 crore, cutting debt to equity to 3.8x; capital adequacy is 20.4% (tier I 19.8%) against a 15.0% minimum. The maturity profile shows a cumulative surplus in every bucket up to one year (₹33,348.0 crore at one year) and liquidity coverage was 323.2%. MUFG Bank's ₹39,618.0 crore, allotted on 8 April 2026, lifts pro-forma capital adequacy to about 34.6%.

Balance Sheet: Key Components

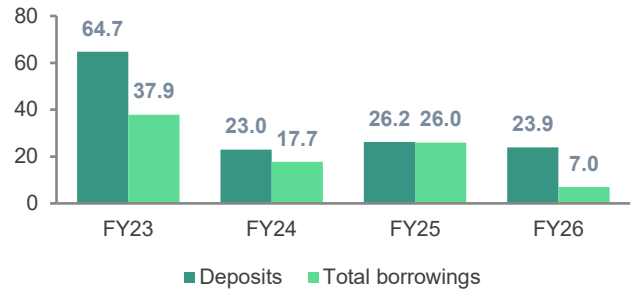
Exhibit 17: Net Loan Book and AUM Growth (%)



Source: *Company fillings*

Loan book. Net loans grew 2.4 times, from ₹1,16,665.2 crore to ₹2,82,452.4 crore (24.7% a year), and AUM reached ₹3,02,273.8 crore. Outside the merger year the trend is a steady slowdown: loan growth eased from 20.9% in FY2024 to 18.0% and then 15.1%, and AUM followed the same path. Loans rose from 82.1% to 87.9% of total assets as idle cash was lent out, so further asset growth now has to be funded by new borrowing and capital rather than surplus liquidity.

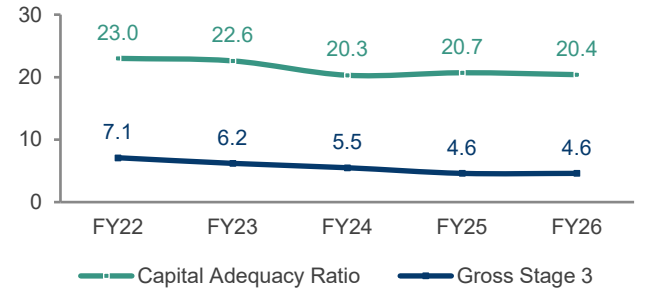
Exhibit 18: Deposit and Total Borrowings Growth (%)



Source: Company fillings; Borrowings are debt securities, other borrowings, deposits and subordinated liabilities.

Funding. Borrowings compounded at 21.6% a year to ₹2,50,689.9 crore, a little slower than loans, so equity now carries more of the book. Deposits were the fastest-growing source at 33.4% a year, and grew 23.9% in FY2026 when total borrowings grew only 7.0%; they rose from 15.4% to 21.6% of total liabilities and equity. Debt securities fell from 36.0% to 21.1% of borrowings and subordinated debt from 4.0% to 1.0%. Deposits make funding more granular, but they carry a liquid-asset requirement on which headroom is thin (15.3% held against 15.0% required).

Exhibit 19: Capital Adequacy and Gross Stage 3 Assets as at 31 March (%)



Source: *Company fillings*

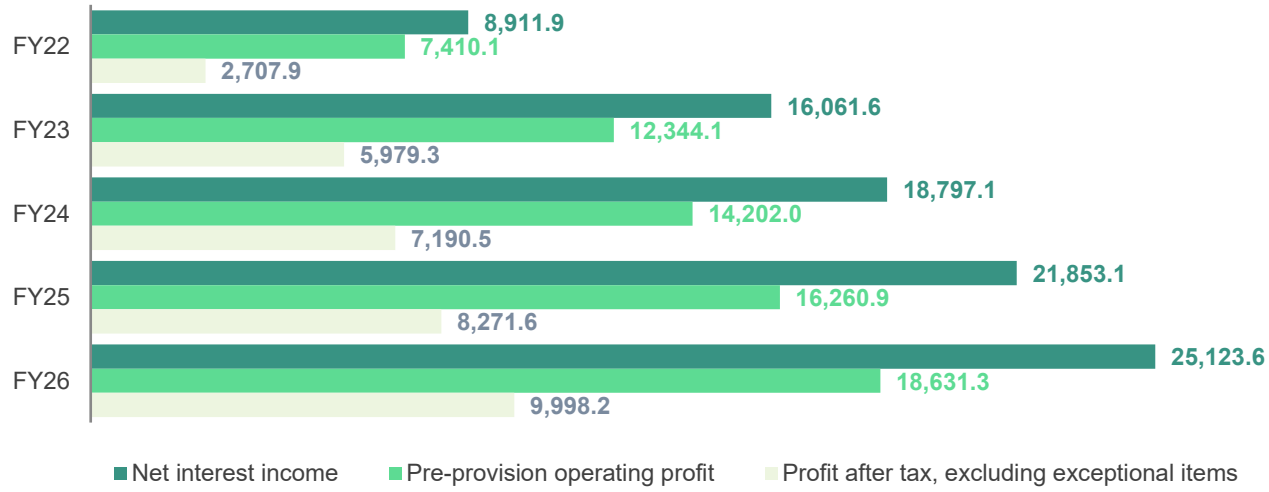
Capital and asset quality. Equity grew 2.5 times to ₹65,704.9 crore, mainly from retained profit, and has held between 18.2% and 21.3% of total assets; debt to equity fell from 4.4x to 3.8x. Since FY2023, however, loans have grown faster than equity (18.0% a year against 14.9%) and capital adequacy has drifted from 22.6% to 20.4%; it stays 5.4 pp above the 15.0% minimum, and the MUFG infusion lifts it to about 34.6% pro forma. Gross stage 3 improved every year from 7.1% to 4.6% before flattening in FY2026, so the asset-quality tailwind has paused.

The balance sheet has more than doubled since FY2022 without loosening its structure: loans dominate assets, leverage is lower than before the merger and funding has become more granular. The pressure points are capital, which had been edging down until the MUFG infusion, and on-balance-sheet liquidity, with cash and investments down from 12.6% to 7.1% of assets in FY2026 (liquidity coverage is still 323.2%). With the new capital in place, the constraint on growth is the cost and availability of borrowing rather than capital.

Profit and Loss Analysis

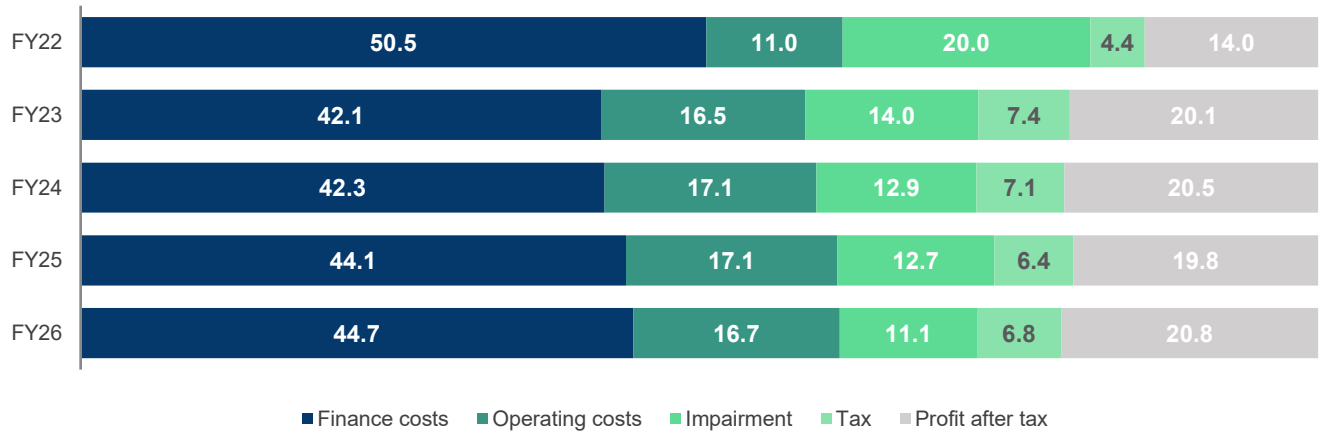
Total income rose 15.1% to ₹48,178.0 crore in FY2026 and pre-provision operating profit 14.6% to ₹18,631.3 crore. With impairment almost flat, profit after tax rose 20.9% to ₹9,998.2 crore excluding the FY2025 one-off, and has compounded at 18.7% a year since FY2023.

Exhibit 20: Net Interest Income, Pre-provision Operating Profit and Profit after tax (₹ crore)



Source: Audited standalone financial statements of Shriram Finance Limited. Net interest income is reported on a statutory basis; FY2025 profit after tax excludes the exceptional gain from the sale of Shriram Housing Finance.

Exhibit 21: Total Income Allocation, FY2022–FY2026 (% of Total Income)

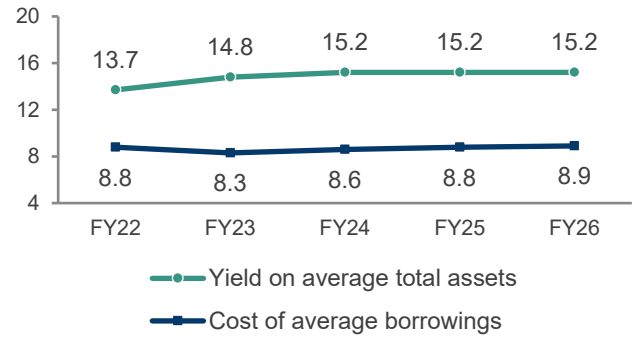


Source: Audited standalone financial statements of Shriram Finance Limited; Samriddhi estimates. Total income comprises interest income, fees, recoveries and other income. Operating costs include fee and commission expenses.

What drove profit. Yield on average assets held at 15.2% while the cost of borrowings rose to 8.9%, so the reported margin eased from 8.6% to 8.4% (8.6% in the fourth quarter). Operating expenses rose 13.1%, inflated by a ₹197.0 crore labour-code charge (7.6% growth excluding it), and include ₹302.6 crore of merger amortisation and ₹525.1 crore of royalty, largely to the promoter group. The decisive line was impairment, down from 2.0% to 1.7% of average assets. Reported net interest income (₹26,051.4 crore) exceeds the statutory figure (₹25,123.6 crore) because the company counts securitisation income and fees as interest.

Profit and Loss: Key Components

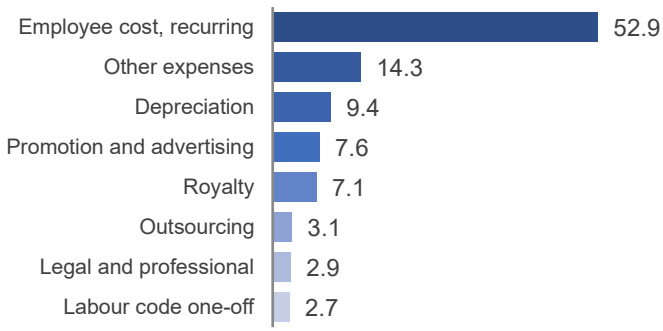
Exhibit 22: Yield on Average Assets vs. Cost of Borrowings (%)



Source: Samriddhi estimates, computed using average balances.

Interest income and finance costs. Interest income compounded at 17.7% a year since FY2023, but finance costs grew faster (19.7%) because the cost of borrowings rose from 8.3% to 8.9% while the yield held at 15.2% for three years. Finance costs took 46.1% of interest income in FY2026 against 43.9% in FY2023, and growth in net interest income slowed from 17.0% in FY2024 to 15.0%. The margin pressure is gradual and comes from funding, not from pricing.

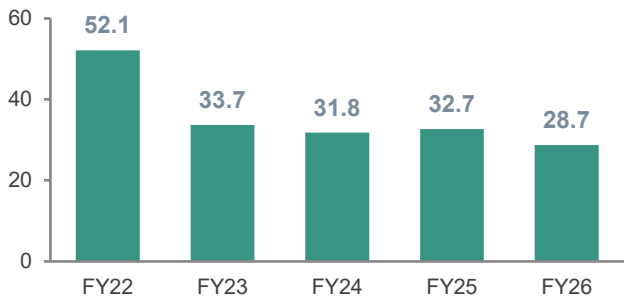
Exhibit 23: Operating Expense Composition, FY2026 (%)



Source: Company fillings

Operating expenses. Operating expenses compounded at 17.2% a year since FY2023, ahead of net interest income (16.1%), so computed cost-to-income rose from 27.2% to 28.5%, although it eased from 28.8% in FY2025. Recurring employee cost is 52.9% of the total, so branch productivity is the main lever. FY2026 also carries a one-off ₹197.0 crore labour-code charge and ₹302.6 crore of merger amortisation that ends during FY2027; together they are 6.7% of operating expenses.

Exhibit 24: Impairment as a Percentage of Pre-Provision Operating Profit (%)



Source: Company fillings

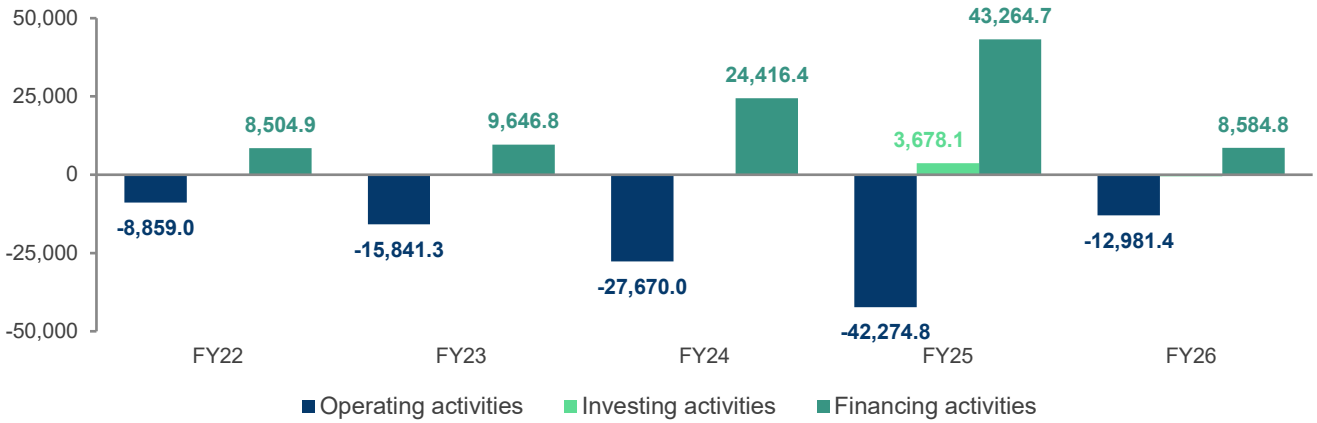
Impairment. This is the line that made the difference. Impairment grew only 8.4% a year from FY2022 against 25.9% for pre-provision operating profit, so credit losses took 28.7% of operating profit in FY2026 against 52.1% in FY2022. In FY2026 impairment was almost flat (up 0.5%) while net loans grew 15.1%, and credit cost fell to 1.7% of average assets. The sensitivity is high: each 0.1 pp of credit cost on FY2026 average assets is about ₹307.5 crore of pre-tax profit, 2.3% of FY2026 profit before tax.

Since FY2023 profit after tax has compounded at 18.7% a year, faster than net interest income (16.1%) and pre-provision operating profit (14.7%). The gap is explained by lower credit cost, not by better margins or efficiency, both of which have moved slightly the other way. Profit growth above loan growth therefore depends on credit cost staying near 1.7%: the main risk to the trend is a turn in the credit cycle, not a shortfall in revenue.

Cash Flow Analysis

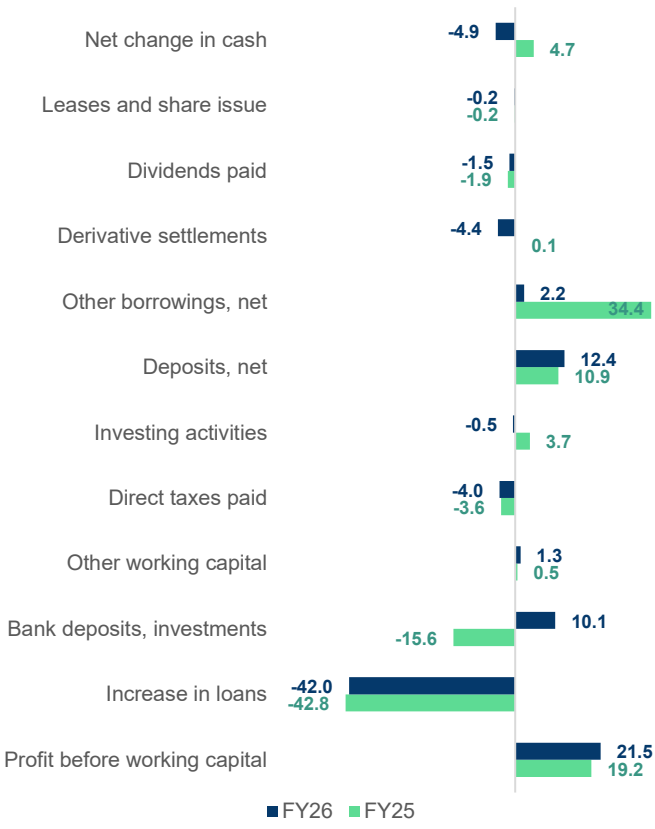
For a lender, negative operating cash flow is normal: loans disbursed net of repayments are operating outflows. Shriram's operating cash flow was negative in all five years and was funded by net borrowing; investing flows are small except for the ₹3,929.0 crore received from the sale of the housing finance subsidiary in FY2025.

Exhibit 25: Cash Flows from Operating, Investing and Financing Activities, FY2022–FY2026 (₹ crore)



Source: Audited standalone cash flow statements of Shriram Finance Limited. Unlabelled investing cash flows were ₹(34.3) crore in FY2022, ₹(180.1) crore in FY2023, ₹(238.3) crore in FY2024 and ₹(543.8) crore in FY2026. FY2023 also included ₹5,217.4 crore in cash received on amalgamation.

Exhibit 26: Cash Flow Bridge, FY2025 vs. FY2026 (₹ crore)



Source: Company fillings

Loan growth drives the cash flow. In FY2025 the operating outflow peaked at ₹42,274.8 crore because loans grew ₹42,812.7 crore and ₹15,612.9 crore was parked in bank deposits and investments. In FY2026 loan growth was similar at ₹41,982.1 crore, but ₹10,085.2 crore of those deposits was drawn down, so the outflow shrank to ₹12,981.4 crore.

Borrowing fills the gap. Retained earnings of ₹8,533.1 crore funded only about a fifth of FY2026 loan growth. Net borrowing brought in ₹14,648.9 crore, led by ₹12,422.1 crore of deposits, and ₹4,374.2 crore went on settling derivatives linked to foreign-currency borrowings.

Dividends. Cash dividends rose from ₹851.8 crore in FY2022 to ₹1,465.1 crore, 14.7% of FY2026 profit; the FY2026 dividend declared is ₹10.8 per share. The low payout suits a lender growing 15.0% to 20.0% a year.

Growth is funded mainly by borrowing. FY2026's smaller outflow relied on drawing down ₹10,085.2 crore of deposits built in FY2025, a release of liquidity rather than a lasting change. The MUFG equity of ₹39,618.0 crore, 94.4% of FY2026 loan growth, funds the next phase without adding leverage.

Ratio analysis

Reported ratios are as stated by the company; computed ratios use audited statements and average balances.

Exhibit 27: Key Ratios, FY2022–FY2026

	FY22	FY23	FY24	FY25	FY26
Growth (%)					
Assets under management	8.4	46.2	21.1	17.0	14.8
Profit after tax, excluding exceptional items	8.9	120.8	20.3	15.0	20.9
Spreads and efficiency (%)					
Yield on average total assets	13.7	14.8	15.2	15.2	15.2
Cost of average borrowings	8.8	8.3	8.6	8.8	8.9
Net interest margin, as reported	6.6	8.4	8.8	8.6	8.4
Cost-to-income, as reported	19.9	24.6	27.4	27.9	28.0
Operating expenses on average total assets	1.5	2.4	2.5	2.5	2.4
Asset quality (%)					
Gross stage 3	7.1	6.2	5.5	4.6	4.6
Net stage 3	3.7	3.2	2.7	2.6	2.3
Stage 3 provision coverage	50.0	50.1	51.8	43.3	50.3
Credit cost on average total assets	2.8	2.2	2.0	2.0	1.7
Profitability (%)					
Return on average assets, as reported	1.9	2.9	3.1	3.0	3.1
Return on average assets, computed	2.0	3.1	3.3	3.1	3.3
Return on average equity, as reported	11.1	14.8	15.6	15.8	16.5
Return on average equity, computed	11.4	15.3	15.7	15.8	16.4
Capital and liquidity					
Capital adequacy ratio (%)	23.0	22.6	20.3	20.7	20.4
Debt to equity (x)	4.4	3.6	3.8	4.2	3.8
Equity to total assets (%)	18.2	21.3	20.5	19.2	20.5
Liquidity coverage ratio (%)	n.a.	209.9	195.6	286.7	323.2
Per share (₹, split-adjusted)					
Earnings per share	20.4	31.9	38.3	51.9	53.2
Book value per share	191.7	231.3	258.5	299.3	349.2

Source: Samriddhi Analysis; Company fillings, Screener.in. FY2023 averages are based on a pro forma opening balance.

What the ratios say. Profitability improved because credit cost fell faster than margins compressed: net interest income on average assets eased from 8.5% in FY2024 to 8.2% in FY2026, while credit cost fell from 2.0% to 1.7%. Efficiency is stable, with operating expenses at 2.4% to 2.5% of average assets since the merger, and asset quality improved steadily to FY2025 before flattening. The balance sheet is conservatively geared, with equity at 20.5% of assets, debt to equity between 3.6x and 4.4x and capital adequacy never below 20.0%. Reported and computed returns differ only in denominators; on both, return on assets has held at 3.0% to 3.3% since FY2024. At the 31 March 2026 market value of ₹1,63,564.0 crore, the stock traded at 16.4x earnings and 2.5x net worth.

DuPont analysis

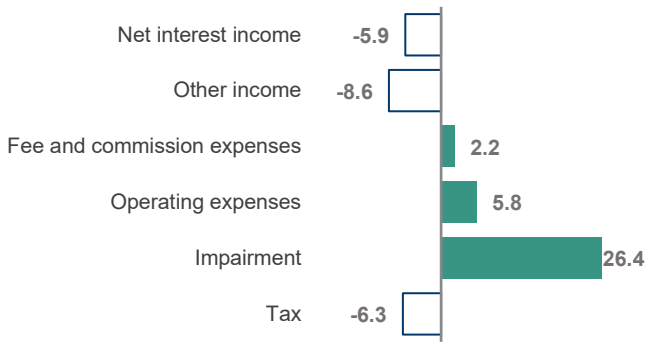
Return on equity is return on assets multiplied by leverage, and return on assets is built from income and cost lines expressed on average total assets. The decomposition uses audited line items and reconciles exactly to profit after tax excluding exceptional items.

Exhibit 28: DuPont decomposition (% of average total assets unless stated)

	FY22	FY23	FY24	FY25	FY26
Interest income	13.7	14.8	15.2	15.2	15.2
Less: finance costs	7.2	6.5	6.7	6.9	7.0
Net interest income	**6.6**	**8.3**	**8.5**	**8.2**	**8.2**
Add: other income, net of fees paid	0.4	0.5	0.4	0.4	0.3
Less: operating expenses	1.5	2.4	2.5	2.5	2.4
Pre-provision operating profit	**5.5**	**6.4**	**6.4**	**6.1**	**6.1**
Less: impairment on financial instruments	2.8	2.2	2.0	2.0	1.7
Profit before tax, excluding exceptional items	**2.6**	**4.2**	**4.4**	**4.1**	**4.3**
Less: tax	0.6	1.1	1.1	1.0	1.1
Return on average assets	**2.0**	**3.1**	**3.3**	**3.1**	**3.3**
Average assets to average equity (x)	5.7	4.9	4.8	5.1	5.0
Return on average equity	**11.4**	**15.3**	**15.7**	**15.8**	**16.4**

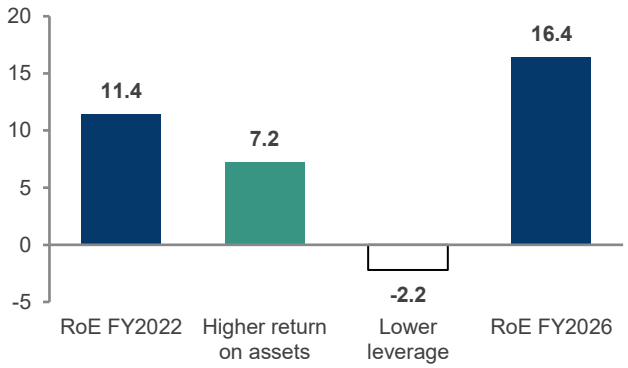
Source: Samriddhi Analysis, Company fillings; screener.in for March 2021 and pro-forma March 2022 opening balances

Exhibit 29: Return on Assets Bridge, FY2025–FY2026 (bps)



Source: Samriddhi Analysis. Dark bars represent factors that negatively impact return on assets.

Exhibit 30: Return on Equity Bridge, FY2022–FY2026 (pp)



Source: Samriddhi Analysis; effects are measured sequentially.

Reading the tree. The merger re-based the business in FY2023: net interest income rose from 6.6% to 8.3% of average assets, but operating expenses rose from 1.5% to 2.4% because the merged MSME, gold and personal-loan books are branch-intensive. Since then the decisive line has been impairment, down from 2.8% in FY2022 to 1.7% in FY2026, which lifted return on assets from 2.0% to 3.3% while leverage fell from 5.7x to 5.0x, so the whole 5.0 pp gain in return on equity came from operations. After the MUFG infusion, assets to equity falls from 4.9x to about 3.4x, implying return on equity of about 11.1% at today's return on assets, close to ICICI Securities' FY2027 estimate of 10.9%.

Regulatory and Forensic Review

Beyond the ratios, the review examines regulatory compliance, the sustainability and cash backing of reported earnings, and key disclosures in the financial statement notes and auditors' reports.

Exhibit 31: Regulatory Compliance Scorecard as at 31 March 2026

Requirement (NBFC, upper layer, deposit-taking)	Threshold	FY2026	Headroom	Status
Capital adequacy ratio	at least 15.0%	20.4%	5.4 pp	met
Tier I capital ratio	at least 10.0%	19.8%	9.8 pp	met
Liquidity coverage ratio (quarterly average)	at least 100.0%	323.2%	223.2 pp	met
Transfer to statutory reserve, section 45-IC	at least 20.0% of profit	20.0%	nil	met
Liquid assets held for public deposits	at least 15.0%	**15.3%**	0.3 pp	met, thin
Public deposits to net owned funds	at most 1.5x	about 1.2x	0.3x	met
Ind AS 109 provisions vs RBI provisioning norms	at least 1.0x	3.0x	₹11,895.0 crore	met
Net NPA, for dividend eligibility	below 6.0%	2.3%	3.7 pp	met

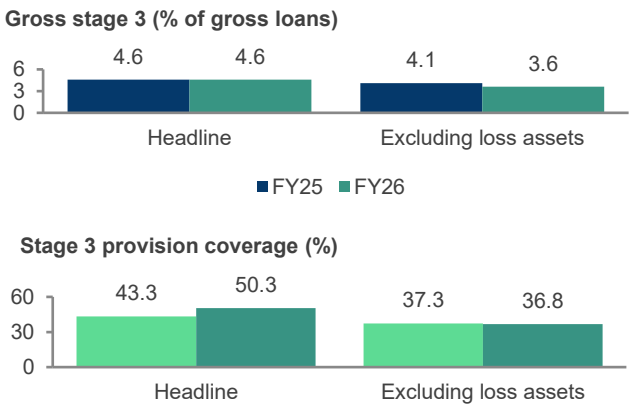
Source: Company fillings; Net owned funds approximated by tier I capital.

Exhibit 32: Normalised Profit Before Tax, FY2026 (₹ crore)

Item	₹ crore
Reported profit before tax	13,292.3
Add: labour code one-off (note 45)	197.0
Less: DSA commission estimate change (note 63)	(49.0)
Normalised profit before tax (+1.1%)	**13,440.2**
Add: merger amortisation, non-cash (note 17)	302.6
Cash-adjusted profit before tax	**13,742.8**

Source: Samriddhi Analysis, Company fillings

Exhibit 33: Reported vs. Underlying Asset Quality (%)



Source: Samriddhi Analysis, Company fillings

Forensic findings

1. Earnings quality: normalised profit before tax is only 1.1% above reported, and ₹302.6 crore of non-cash merger amortisation ends during FY2027.

2. Cash backing: 99.1% of accrued loan interest was collected in cash; tax paid exceeded the tax charge by 20.4%, building a ₹4,263.3 crore deferred tax asset, 91.7% of it from ECL timing differences.

3. Asset quality: slower write-offs left ₹2,959.4 crore of fully provided loss assets on the books. Excluding them, stage 3 fell from 4.1% to 3.6% and coverage was flat at about 37.0%, so the headline coverage jump is mechanical.

4. Prudence: Ind AS 109 provisions of ₹17,930.3 crore are 3.0x the RBI requirement, an excess worth 18.1% of equity.

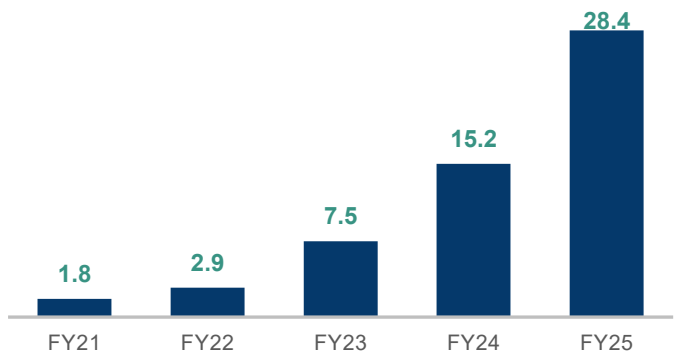
5. Governance: unmodified audit and internal-control opinions; one key audit matter (ECL, with evergreening tests); frauds of ₹5.4 crore; an RBI penalty of ₹2.7 lakh; royalty of ₹481.8 crore to the promoter group (4.8% of profit); contingent liabilities of ₹3,247.8 crore (5.0% of net worth), mainly a service tax appeal.

ESG Review

To drive sustainable finance and community development while minimizing its environmental footprint, the company focuses on the following key aspects:

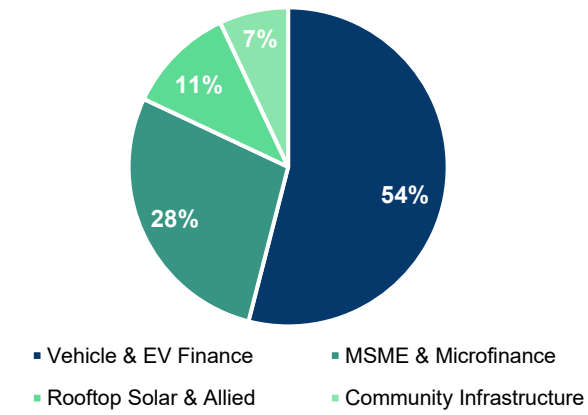
- **Promoting Sustainable Finance & Evs**
  Focus is on supporting India's transition to a low-carbon economy by financing electric vehicles (EVs) and promoting eco-friendly transport options. The goal is to expand the green vehicle loan portfolio significantly, enabling access to sustainable mobility for underserved communities and small business owners.
- **Empowering Communities & Financial Inclusion**
  By offering specialized MSME and vehicle loans, the company supports small businesses and entrepreneurial micro-enterprises. Promoting financial inclusion is a priority, with dedicated outreach in semi-urban and rural areas to drive sustainable socio-economic growth and improve livelihood opportunities.
- **Sustaining Energy & Environmental Responsibility**
  In addition to financing rooftop solar and renewable projects, the company aims to optimize its own operational footprint. Initiatives target reducing resource consumption and increasing digital, paperless workflows across its extensive branch network.

Exhibit 34: Growth in Green & Electric Vehicle Financing (in ₹ Billion)



Source: Company fillings

Exhibit 35: Allocation of Social & Sustainable Portfolios



Source: Company fillings

Recent ESG Highlights & Metrics

- Outstanding ESG Rating: In July 2026, the company's ICRA ESG Impact Rating Score was upgraded to 83 (Outstanding), reflecting strong improvements in its environmental and governance profile.
- Green Finance Targets: The company has a sustained focus on green finance portfolio expansion, currently at ₹1,400 crore with a medium-term target of reaching ₹5,000 crore.
- Environmental Impact Reduction: Waste generation was significantly reduced to 296 Metric Tonnes in FY26 from 614 Metric Tonnes in FY25, demonstrating effective value chain decarbonisation.
- Social & Workplace Commitment: 97.03% of employees were trained for skill upgradation, human rights, and health & safety. Additionally, procurement from Micro, Small, and Medium Enterprises (MSMEs) remained healthy at ~19%.
- The firm continues to promote financial inclusion through its vast network, which stands at 3,225 branches (with over 63% situated in semi-urban and rural areas) serving a customer base of 10.30 million customers

Valuation

We initiate coverage of Shriram Finance with a BUY rating and a target price of ₹1,096, based on 2.1x FY28E book value per share of ₹521.8. **The target implies 22% upside from the current price of ₹901.** The stock already trades at 2.1x its post-MUFG book value, so our return case rests on book value growth rather than on the market paying a higher multiple.

The franchise is India's largest used commercial-vehicle lender, and we expect AUM to compound at about 16% a year from ₹3.02 lakh crore in FY26 to ₹6.4 lakh crore by FY31E. Passenger vehicles, gold loans and farm equipment are the fastest-growing segments, while the construction-equipment book continues to shrink. Commercial vehicles remain the anchor at roughly 47% of the book.

The defining event of the year is MUFG Bank's ₹39,618 crore primary investment, allotted on 8 April 2026 for a 20% stake. It lifts book value by about 60% and cuts debt-to-equity from 3.8x in FY26 to 2.4x in FY27E. The trade-off is a temporary dilution of return on equity to about 10% in FY27E, which we expect to rebuild to around 16% by FY31E as the capital is lent out. Asset quality is steady, with gross Stage 3 at 4.6%, Stage 3 provision cover near 50% and credit cost close to management's 2% guidance.

AUM growth of 16% a year

We forecast AUM growth of 16.2% in FY27E to ₹3.51 lakh crore, compared with management's guidance of about 18%, and hold growth at roughly 16% a year thereafter. We sit below guidance for three reasons: the monsoon has been weak, which matters for a rural and semi-urban borrower base; MSME growth slowed to just 8% in Q1FY27 against guidance of 13–15%; and the construction-equipment book is still running off, down 25% year on year in the first quarter.

Management has a credible record of delivering close to what it guides. For FY26 it guided to AUM growth of 15% or more and credit cost of about 2%, and it delivered 14.9% and 1.9% respectively. Q1FY27 AUM grew 15.3% year on year to ₹3.14 lakh crore on disbursements that rose 19.5%, so our full-year estimate needs only a modest pickup in the remaining quarters. Our FY28E AUM of ₹4.08 lakh crore is about 3% below the company's own target of roughly ₹4.2 lakh crore set out in its March 2026 presentation, which leaves room for upside.

Within the book, growth is led by segments with lower credit costs. Passenger-vehicle loans, where management expects growth above 20% and Q1 delivered 21.2%, rise from 21.3% to 23.4% of AUM. Gold loans, which management plans to double as a share of the book within three years, grow from 2.2% to 4.1%. Commercial vehicles, the core used-vehicle franchise, grow at 16–18% and hold their share near 47%. Farm equipment is forecast at 25% in FY27E, below management's ambition of over 30%, because ICRA expects tractor sales to grow only 1–4% after the weak monsoon. Vehicle finance as a whole stays at about 80% of AUM throughout the forecast.

Exhibit 36: Segment wise growth assumptions

Segment	FY26	FY27E	FY28–31E	Basis for forecast
Commercial vehicles	19.5%	18%	16%	Guidance 15–18%; Q1FY27 +19.4%
Passenger vehicles	19.1%	20%	18%	Guidance: >20%; Q1: 21.2%; CRISIL: ~23%
MSME	10.2%	12%	15%	Guidance: 13–15%; Q1 growth: 8%
Two-wheelers	11.8%	11.8%	11.8%	FY26 growth maintained; no guidance
Construction equipment	–25.6%	–15%	5%	Loan book runoff; ICEMA sales outlook: +9–12%
Personal loans	11.5%	11.5%	11.5%	FY26 growth maintained
Farm equipment	32.3%	25%	20%	Guidance: >30%; monsoon risk; ICRA: +1–4%
Gold loans	36.9%	40%	30%	Target: double AUM share in 3 years; Q1: +45.8%
Total AUM	14.9%	16.2%	~16%	Guidance: ~18% in Q1FY27 call

Source: Company fillings, Samriddhi Analysis

Operating Metrics: NIM, Credit Cost and ROE

Metric	FY24	FY25	FY26	FY27E	FY28E
NIM, model (NII / avg AUM)	9.16%	8.96%	8.89%	7.66%	9.37%
Credit cost (% of avg AUM)	2.20%	2.18%	1.89%	2.15%	2.15%
Cost-to-income	29.7%	30.5%	30.1%	28.0%	23.0%
Return on equity	15.9%	18.2%	16.4%	10.3%	13.3%

Source: Company fillings, Samriddhi Analysis

Net interest margin: Reported NIM has held in a narrow 8.4–8.8% band for three years. Management guides to about 8.5% for FY27, with a temporary rise to around 9% in the second and third quarters while surplus MUFG cash earns treasury income. Our estimates FY27E NIM of 7.7% is well below that, because it assumes a 16.0% yield in FY27 against 17.6% from FY28 while finance costs rise 45%. The first quarter points the other way: Q1FY27 NIM was 9.04% and PAT was ₹3,445 crore, up 60% year on year. That single quarter is already 37% of our full-year FY27E PAT, so we see clear upside risk to FY27 estimates.

Credit cost: Credit cost has tracked management's 2% guidance closely and came in at 1.9% in FY26. We assume 2.0% of AUM in FY27–FY28E, easing to 1.7% from FY29E. Building ECL provisions at today's coverage of about 5.9% of loans, plus write-offs of around 1.2% a year, needs a credit cost of roughly 2.0–2.1%. Provisions in the P&L therefore cover the requirement through FY28E but fall short by ₹1,750–3,170 crore a year in FY29–FY31E, which is the main risk to outer-year earnings.

Return on equity: ROE falls to 10.3% in FY27E because equity rises about 60% with the MUFG issue while profits take time to catch up. It recovers to 13.3% in FY28E and 15.9% by FY31E as debt-to-equity climbs back from 2.4x to 2.9x. A return to the FY25 level of about 18% would need either faster deployment of the new capital or the lower funding costs that a stronger, bank-backed shareholder could bring.

Valuation Methodology: 2.1x FY28E P/B valued at ₹1,096

We value Shriram Finance on relative valuation, applying 2.1x price-to-book to FY28E book value per share of ₹521.8 **to arrive at a target price of ₹1,096**. Price-to-book is the primary yardstick because a lender's book value is the capital that generates its returns. Our 2.1x multiple is a 36% discount to the peer median of 3.28x. We think the discount is warranted: Cholamandalam and Sundaram earn higher and steadier returns on more diversified books, while Shriram's ROE stays in the 10–14% range through FY28E and close to half of its AUM is in commercial vehicles, a cyclical segment. At the same time, Shriram deserves a clear premium to Mahindra Finance at 1.67x given its larger franchise, its dominant position in used-vehicle lending and its better asset quality. Importantly, the stock already trades at 2.10x adjusted book value of ₹448.6 per share, so we are not assuming any rerating.

Exhibit 37: Peer Valuation

Company	P/E	P/B
Cholamandalam Investment & Finance	24.1x	4.55x
Sundaram Finance	21.4x	3.28x
Mahindra & Mahindra Financial Services	13.3x	1.67x
Peer average	19.6x	3.17x
Peer median	21.4x	3.28x
Shriram Finance at current price (FY28E)	14.3x	1.81x
Shriram Finance at target (FY28E)	16.6x	2.10x

Source: Samriddhi Analysis , BSE India, Internal Model Estimates

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