

## Shriram Finance (SHFL) - BUY

### Company Update

Current Market Price (CMP)

**Rs.2889**

Target Price

**Rs.3,650**

### Rationale:

- Shriram Finance's stock has corrected sharply over the past two months.
- Concerns of a slowdown in CVs, any risk of contagion from fallout elsewhere in the financial system (MFIs, personal loans) and the RBI's action on select NBFCs are investors' concerns.
- We argue that Co. is better placed than most peers given moderate growth expectations, low unsecured exposure and high Expected Credit Loss coverage (ECL).
- While we tweak down estimates, we still find the company heading toward 18% RoEs, unless the macro deteriorates sharply.
- Co. trades at undemanding valuations of 1.8X book and 10.4X earnings FY26E.
- Reiterate BUY with FV of Rs3,650.

### Company update:

#### **Positives:**

- The recent Q2FY25 performance was strong.
- 16% disbursement growth led to 4% qoq and 20% yoy loan growth.
- Stable credit costs, with an improvement in asset quality parameters across segments.

#### **Negatives:**

- Some weakness in Commercial Vehicle.

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For detailed report dated 17th Dec 2024. Note: CMP & valuation may differ due to difference in dates.



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