Dated: 27 July 2026

Shriram Finance (SHFL) - ADD

Result Update Q1FY27

Current Market Price (CMP)	Fair Value (FV)
Rs. 1,005	**Rs. 1,150**

Rationale:

- Shriram Finance's business performance in Q1FY27 was on expected lines, with 15% yoy loan growth, moderate qoq Net Interest Margin ("NIM") expansion and nearly stable asset quality performance.
- Near-term NIM hinges on rundown of excess liquidity and redemption of high-cost borrowings; we continue to expect gradual reduction in cost of funds, most of which will be offset by rate transmission and increase in lower yield loans.
- We remain assertive with RGM-based FV of Rs 1,150 (Rs1,100 earlier) and retain ADD rating.

Positives:

- Shriram Finance reported 60% earnings growth, 3.5% above estimates.
- Net Interest Income ("NII") growth was strong at 34% yoy, driven by 15% Asset Under Management ("AUM") growth and 138 bps yoy NIM expansion.
- Cost of borrowings was down 44 bps yoy to 8.6%.
- We expect AUM growth to gradually rise to ~17% in FY2027E and sustain at 17-18% over FY2028-29E, driven by 14-20% growth in disbursements.
- NIM expanded 138 bps yoy to 10.0% in Q1FY27 (on NII/AUM basis), driven by a 44 bps yoy moderation in cost of borrowings to 8.6% and the earnings on freshly infused capital.
- We expect ~110 bps NIM expansion to 10% in FY2027E, driven largely by the benefit of the capital issuance.

Negatives:

- Yields were largely flat, down 2 bps yoy to 16.9%.
- Gross stage-2 was up 5 bps qoq to 7% and stage-3 was up 6 bps to 4.6%.

Holding Period: 12 months

Rating Scale (Private Client Group)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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