

Shriram Finance (SHFL) - ADD

Q3FY26 Result Update

Current Market Price (CMP) Rs. 872	Target Price Rs. 1,060
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Rationale:

- Shriram Finance reported a stable and strong quarter, setting the stage and raising expectations ahead of the mega deal.
- We look forward to FY2027E with higher growth, led by strong asset quality performance; NIM expansion and funding cost decline may be gradual as liquidity runs down and bonds are repriced over time.
- We Retain ADD rating with a Fair Value of Rs 1,060.

Company update:

👍 Positives:

- Shriram Finance reported Profit After Tax of Rs 2,500 crore in Q3FY26, 6% above estimates. Core Profit Before Tax, at Rs 48 cr., was up 21% yoy, 5% above estimates.
- Net Interest Income growth was strong at 18% yoy, driven by 15% Asset Under Management growth and 14 bps yoy Net Interest Margin (“NIM”) expansion.
- NIM expanded 47 bps qoq to 9.2%, driven by sharp 61 bps qoq moderation in the cost of borrowing to 8.7%.
- We bake in 19% yoy AUM CAGR over FY2027-28E, driven by 20% growth in disbursements. The incremental cost of borrowing is further lower at 7.7% (100 bps below book cost), without baking in the benefit of a credit rating upgrade.

👎 Negatives:

- Yields were down 17 bps qoq to 16.5%, partially offsetting the benefit of the decline in the cost of borrowings.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months