

July 27, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	650		685	
NII (Rs.)	2,58,055	3,02,856	2,53,498	2,95,625
% Chng.	1.8	2.4		
PPoP (Rs.)	1,88,321	2,21,754	1,85,035	2,18,255
% Chng.	1.8	1.6		
EPS (Rs.)	52.8	63.2	51.7	62.0
% Chng.	2.2	1.9		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	1,87,935	2,18,531	2,58,055	3,02,856
Growth (%)	17.0	16.3	18.1	17.4
Op. Profit (Rs m)	1,42,020	1,62,609	1,88,321	2,21,754
PAT (Rs m)	71,905	81,042	99,313	1,18,866
EPS (Rs.)	38.3	43.1	52.8	63.2
Gr. (%)	3.4	12.5	22.5	19.7
DPS (Rs.)	45.0	43.1	52.9	47.4
Yield (%)	7.3	7.0	8.6	7.7
Margin (%)	9.2	9.0	9.1	9.2
RoAE (%)	15.7	15.5	16.5	17.0
RoAA (%)	3.3	3.1	3.2	3.3
PE (x)	16.1	14.3	11.7	9.7
P/BV (x)	2.4	2.1	1.8	1.5
P/ABV (x)	2.7	2.3	2.1	1.7

Key Data

SHMF.BO | SHFL IN

52-W High / Low	Rs.730 / Rs.493
Sensex / Nifty	81,463 / 24,837
Market Cap	Rs.1,158bn / \$ 13,388m
Shares Outstanding	1,881m
3M Avg. Daily Value	Rs.4319.69m

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	(8.8)	16.8	14.9
Relative	(7.3)	9.2	12.9

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Expect NIM to improve; asset quality monitorable

Quick Pointers:

- NIM declined 14 bps QoQ to 8.11% on account of excess liquidity; expect it to improve aided by lower CoF in subsequent quarters
- Stage 2 % increased to 7.3%; we remain wary of stress and build a higher credit cost

Q1FY26 AUM grew 16.6% YoY to Rs 2,722.5 bn, led by strong growth in the PV, 2W, MSME and Farm Equipment portfolio. NII saw a lukewarm growth of 10% YoY impacted by negative carry from excess liquidity; however CoF has started to reduce and we expect NIM to improve in FY26. While credit cost was controlled (at 2.1%), Stage 2 increased by 40 bps QoQ. We remain conservative and build a higher credit cost of 2.1% for FY26E (vs. guidance of <2%). We marginally tweak our FY26/ FY27 estimates and expect SHFL to deliver RoA/ RoE of 3.3%/ 17.0% in FY27E, led by steady growth in AUM, favourable margin profile and controlled asset quality ratios. We slightly cut our multiple to 1.8x on Mar'27 ABV (vs. 1.9x earlier) with a TP of Rs 650. Maintain HOLD.

- Expect steady AUM growth in FY26:** 1QFY26 disbursements registered a growth of 13% YoY to Rs 418.2 bn. Consequently, AUM growth was robust at 16.6% YoY/ 3.4% QoQ to Rs 2,722.5 bn, led by the PV/ MSME/ Farm Equipment segment (+23.2%/ 34.8%/ 46.3% YoY respectively). The split among CV/PV/CE/Farm Equipment/ MSME/2W/ Gold/Personal Loans stood at 45.2%/ 20.8%/ 6.1%/ 2.1%/ 14.3%/ 5.8%/ 1.9%/ 3.8% respectively. CV sales saw tepid growth in the quarter (12% YoY) and commentary highlighted a disruption in demand due to seasonality/ excess rains. It expects a pick-up in the LCV segment in H2 on strong rural consumption and is confident of meeting a run-rate of 15%+ AUM growth in FY26E; we build ~16%.
- Excess liquidity is a drag; expect NIM to improve:** NII grew 10.3% YoY (3.7% QoQ) to Rs 57.7 bn. However, reported NIM saw a contraction of 14 bps QoQ to 8.11% due to negative carry from excess liquidity (~equivalent to 5M of liabilities). Company expects it to normalize over the next 4-5 months and will be returning to its usual policy of maintaining liquidity equivalent to 3M of liabilities. Commentary also highlighted a reduction in incremental cost of borrowing in the quarter (8.37% vs. 8.86% in Q4FY25) and expects it to come down further in FY26. Factoring a normalizing trend in liquidity and a reduction in CoF, we expect NIM to improve in FY26E. Cost/Income ratio stood at 29.3% vs. 27.6% in Q4; we expect opex to be elevated (~30%) over the near-term as the company invests in the franchise.
- Asset quality trend monitorable:** Headline asset quality ratio remained largely stable at GS3/NS3 at 4.53%/ 2.57% vs. 4.55%/ 2.64% in Q4FY25. Stage 2 however, increased to 7.3% vs. 6.9% in Q4FY25, led by a 15-61 bps sequential increase in the PV, CE, CV, Gold and 2W portfolio. Commentary attributed it to uneven rains/ slowdown in the economy, but highlighted that cash flows remain strong. On the MSME side, company is focusing on small- ticket loans to the trading and services sector (whole-sellers, shopkeepers etc.) which is seeing steady demand. Stage 3 PCR stood at 44.3% (vs. 43.3% in Q4FY25) and company expects to maintain it at ~40% (similar to pre-Covid levels). It has guided for a credit cost of <2% for FY26 (vs. 2.1% for Q1FY26); we remain wary and build a higher rate of 2.1% in FY26E.

Exhibit 1: Q1FY26 Result Overview (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
NII	57,725	52,339	10.3	58,667	(1.6)	55,655	3.7	2,58,055	2,18,531	18.1
Spread (%) (calc)	8.1	8.8	-68bps	9.5	-141bps	8.3	-14bps	9.7	9.6	8bps
Other income	3,685	2,469	49.3	2,823	30.6	6,707	(45.1)	11,796	15,494	(23.9)
Net Revenue	61,410	54,808	12.0	61,490	(0.1)	62,363	(1.5)	2,69,852	2,34,025	15.3
Opex	19,486	16,267	19.8	19,300	1.0	19,010	2.5	81,530	71,416	14.2
PPOP	41,924	38,541	8.8	42,190	(0.6)	43,353	(3.3)	1,88,321	1,62,609	15.8
Provisions	12,857	11,876	8.3	12,751	0.8	15,633	(17.8)	54,884	53,117	3.3
PBT	29,067	26,666	9.0	29,440	(1.3)	27,720	4.9	1,33,437	1,09,493	21.9
Tax	7,510	6,860	9.5	7,507	0.0	6,326	18.7	34,124	28,450	19.9
ETR (%)	25.8	25.7		25.5		22.8		25.6	26.0	
PAT	21,557	19,806	8.8	21,932	(1.7)	21,394	0.8	99,313	81,042	22.5
Business Metrics										
AUM	27,22,490	23,34,436	16.6	26,58,222	2.4	26,31,903	3.4	30,62,360	26,31,903	16.4
Borrowings	24,29,113	19,17,455	26.7	22,53,152	7.8	23,41,973	3.7	25,96,685	23,41,973	10.9
Asset Quality Metrics										
GNPA (%)	4.53	5.39	-86bps	4.55	-2bps	4.55	-2bps	4.45	4.55	-10bps
NNPA (%)	2.57	2.71	-14bps	2.64	-7bps	2.64	-7bps	2.67	2.64	3bps
PCR (%)	44.3	51.2	-684bps	42.0	231bps	43.3	103bps	40.0	43.3	-328bps

Source: Company, PL

Exhibit 2: Change in Estimates

	Revised Estimates		Earlier Estimates		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NII (Rs mn)	2,58,055	3,02,856	2,53,498	2,95,625	1.8	2.4
PPOP (Rs Mn)	1,88,321	2,21,754	1,85,035	2,18,255	1.8	1.6
PAT (Rs Mn)	99,313	1,18,866	97,177	1,16,632	2.2	1.9
ABV (Rs)	300	357	310	366	-3.3	-2.5

Source: PL

Q1FY26 Concall Highlights

Growth

- AUM saw a robust growth of 16.6% YoY/3.4% QoQ to Rs 2,722.5 bn; customer base stood at 9.7 mn with 3,225 active branches.
- Q1FY26 disbursements grew 13% YoY to Rs 418.2 bn led by CV/ PV/ MSME segments by Rs 169.2/81.6/63.6 bn respectively. Management expects momentum likely to strengthen during the festive period.
- Deposits grew by 32.7% YoY/12.4% QoQ to Rs 630.3 bn. Company plans to scale deposit base to leverage softening rates and reduce funding costs.
- Company focuses on MSME lending in small-ticket sizes largely to trading and services sectors with relatively stable business profiles; ~2/3 of branches currently serve MSMEs and company has a strategic plan to scale this up to the remaining 1/3.
- New customer additions in the trucking portfolio have slowed with existing customers operating steadily amid seasonal disruptions.
- Used CV segment continues to perform well supported by strong disbursements and healthy cash flows. Repossession rates remain stable aided by higher resale values resulting in lower defaults.

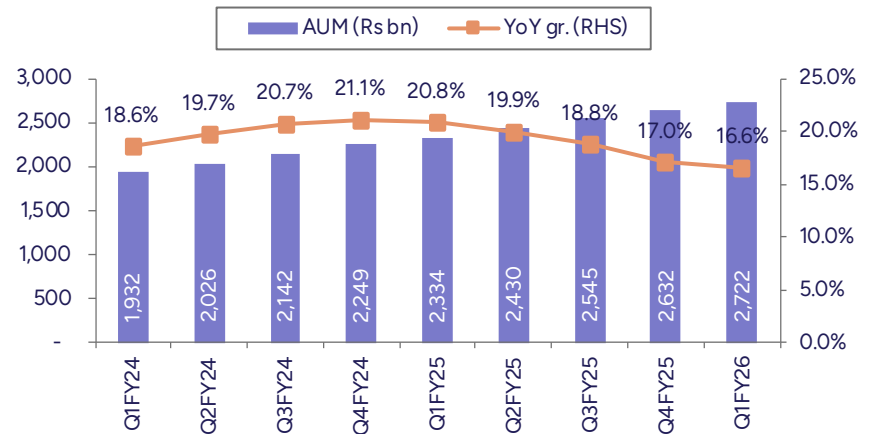
Operating profitability

- Reported NIM saw a contraction of 14 bps QoQ to 8.11% due to negative carry from excess liquidity; intend to reduce from 5 to 3 months buffer via Rs 100 bn rundown over 3-4 months.
- Management indicated a 40 bps reduction in deposit rates effective August, resulting in lower cost of deposits
- Incremental CoF declined to 8.37% (vs 8.86%) and is expected to fall further. With 85% fixed-rate borrowings, the decline in cost will be gradual supporting NIM improvement towards 8.5% by Q4FY26.
- Fair value gain includes profit from mutual funds of Rs 1.3 bn. Fee income declined QoQ due to a one-off of Rs 1.7 bn assignment transaction recorded in the previous quarter.

Asset quality

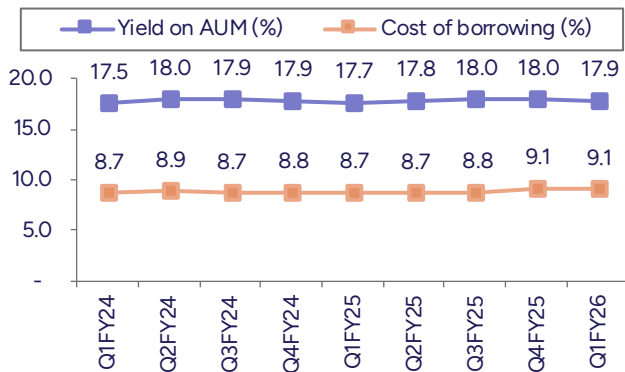
- Headline asset quality ratio stood stable with GS3/NS3 at 4.53%/ 2.57% vs. 4.55%/ 2.64% in Q4FY25.
- GS2 rose by 40 bps due to seasonal factors such as excess monsoon causing temporary business disruption; however, management states no material impact on credit costs.
- Company had write-offs of Rs 4.5 bn during the quarter. It expects credit cost to remain under 2% of total assets by FY26.

Exhibit 3: AUM grew 16.6% on continued traction across segments



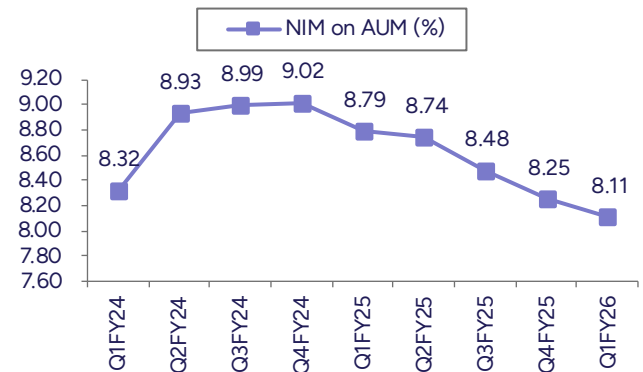
Source: Company, PL

Exhibit 4: Expect cost of borrowing to come down



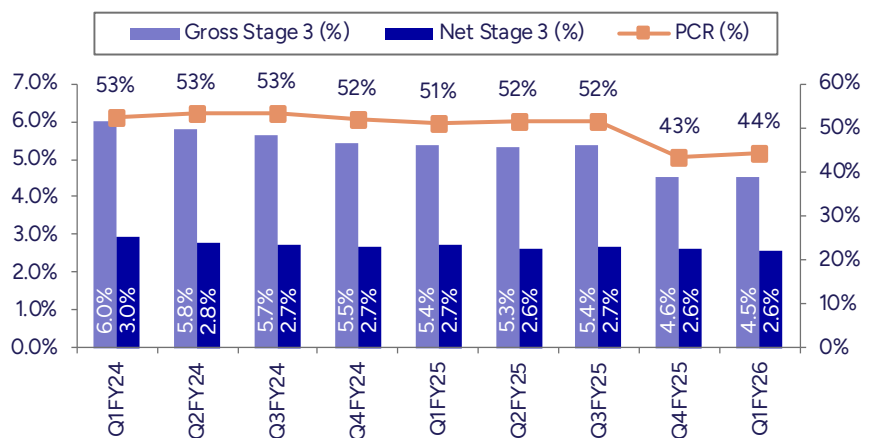
Source: Company, PL

Exhibit 5: NIM declined due to a drag from excess liquidity

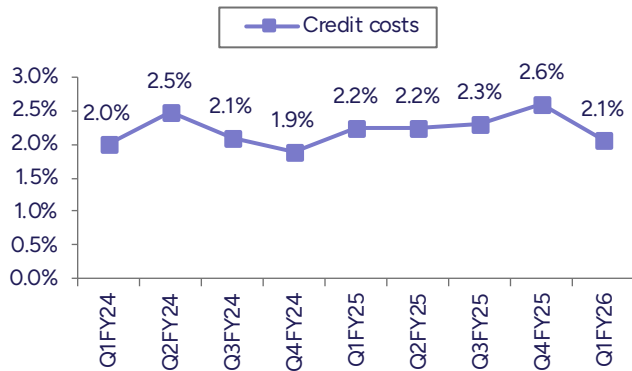


Source: Company, PL

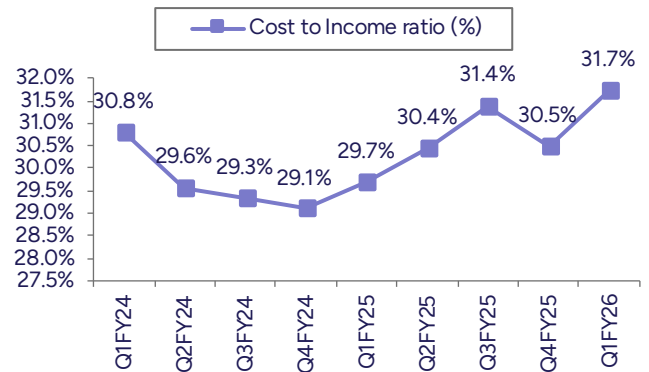
Exhibit 6: Stable asset quality trend; PCR easing sequentially



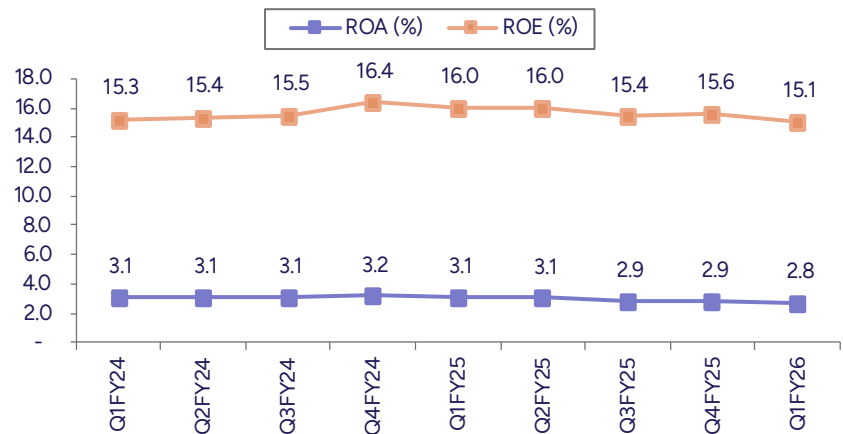
Source: Company, PL

Exhibit 7: Credit cost moderated during the quarter

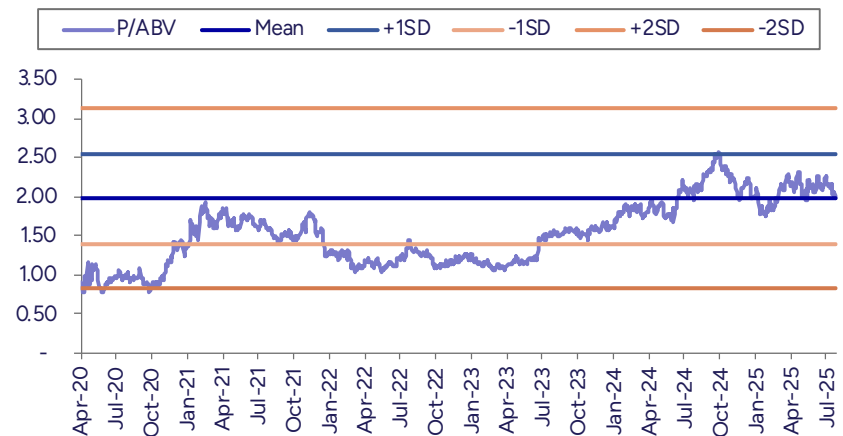
Source: Company, PL

Exhibit 8: Opex remains elevated as company invests in the franchise

Source: Company, PL

Exhibit 9: RoA/RoE stood at 2.8%/ 15.1% in Q1FY26

Source: Company, PL

Exhibit 10: One-year forward P/ABV of SHFL trades at 1.9x

Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	3,35,997	4,03,076	4,73,275	5,44,343
Interest Expenses	1,48,061	1,84,546	2,15,220	2,41,486
Net interest income	1,87,935	2,18,531	2,58,055	3,02,856
Growth(%)	17.0	16.3	18.1	17.4
Non-interest income	13,980	15,494	11,796	12,349
Growth(%)	16.9	10.8	(23.9)	4.7
Net operating income	2,01,915	2,34,025	2,69,852	3,15,205
Expenditures				
Employees	32,156	36,512	41,059	46,875
Other Expenses	27,739	34,904	40,471	46,575
Depreciation	-	-	-	-
Operating Expenses	59,895	71,416	81,530	93,451
PPP	1,42,020	1,62,609	1,88,321	2,21,754
Growth(%)	15.1	14.5	15.8	17.8
Provisions	45,183	53,117	54,884	62,202
Profit Before Tax	96,836	1,09,493	1,33,437	1,59,552
Tax	24,932	28,450	34,124	40,686
Effective Tax rate(%)	25.7	26.0	25.6	25.5
PAT	71,905	81,042	99,313	1,18,866
Growth(%)	20.3	12.7	22.5	19.7

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	3,758	3,761	3,761	3,761
Reserves and Surplus	4,81,926	5,59,045	6,36,800	7,55,667
Networth	4,85,684	5,62,806	6,40,562	7,59,428
Growth (%)	12.1	15.9	13.8	18.6
Loan funds	18,58,411	23,41,973	25,96,685	29,87,902
Growth (%)	17.7	26.0	10.9	15.1
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	10,185	9,647	33,689	35,057
Other Liabilities	18,480	20,904	25,521	26,557
Total Liabilities	23,72,760	29,35,329	32,96,457	38,08,944
Application of funds				
Net fixed assets	32,874	-	-	-
Advances	20,79,294	24,53,928	28,56,353	32,86,692
Growth (%)	20.9	18.0	16.4	15.1
Investments	1,06,566	1,55,987	1,68,785	1,85,250
Current Assets	1,17,697	2,13,657	1,51,274	2,12,083
Net current assets	1,07,513	2,04,011	1,17,585	1,77,026
Other Assets	36,328	1,11,757	1,20,045	1,24,919
Total Assets	23,72,760	29,35,329	32,96,457	38,08,944
Growth (%)	16.5	23.7	12.3	15.5
Business Mix				
AUM	22,48,620	26,31,903	30,62,360	35,23,737
Growth (%)	21.1	17.0	16.4	15.1
On Balance Sheet	22,16,677	25,99,159	30,07,238	34,53,262
% of AUM	98.58	98.76	98.20	98.00
Off Balance Sheet	31,943	32,744	55,122	70,475
% of AUM	1.42	1.24	1.80	2.00

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	9.2	9.0	9.1	9.2
ROAA	3.3	3.1	3.2	3.3
ROAE	15.7	15.5	16.5	17.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	98,145	1,03,408	1,07,895	1,11,732
Income from securitization	-	-	-	-
Interest Expenses	43,504	47,513	52,240	54,008
Net Interest Income	54,641	55,896	55,655	57,725
Growth (%)	18.9	13.8	9.4	10.3
Non-Interest Income	2,671	3,646	6,707	3,685
Net Operating Income	57,312	59,542	62,363	61,410
Growth (%)	16.0	14.1	13.2	12.0
Operating expenditure	17,447	18,692	19,010	19,486
PPP	39,865	40,850	43,353	41,924
Growth (%)	-	-	-	-
Provision	12,350	13,258	15,633	12,857
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	27,515	44,159	27,720	29,067
Tax	6,803	8,462	6,326	7,510
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	24.7	19.2	22.8	25.8
PAT	20,713	35,698	21,394	21,557
Growth	18	96	10	9
AUM	24,30,426	25,44,697	26,31,903	27,22,490
YoY growth (%)	19.9	18.8	17.0	16.6
Borrowing	20,78,196	22,34,597	23,41,973	24,29,113
YoY growth (%)	25.7	25.9	26.0	26.7

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	616	616	616	616
EPS (Rs)	38.3	43.1	52.8	63.2
Book value (Rs)	259.0	299.4	340.6	403.8
Adj. BV(Rs)	228.0	263.7	300.1	356.7
P/E(x)	16.1	14.3	11.7	9.7
P/BV(x)	2.4	2.1	1.8	1.5
P/ABV(x)	2.7	2.3	2.1	1.7
DPS (Rs)	45.0	43.1	52.9	47.4
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	7.3	7.0	8.6	7.7

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	1,20,812	1,18,388	1,27,108	1,42,971
Net NPA(Rs m)	58,244	67,145	76,265	88,642
Gross NPAs to Gross Adv.(%)	5.5	4.6	4.5	4.4
Net NPAs to net Adv.(%)	2.7	2.6	2.7	2.7
NPA coverage(%)	51.8	43.3	40.0	38.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	8.5	8.2	8.3	8.5
NII INCI. Securitization	8.5	8.2	8.3	8.5
Total income	9.2	8.8	8.7	8.9
Operating Expenses	2.7	2.7	2.6	2.6
PPOP	6.4	6.1	6.0	6.2
Total Provisions	2.0	2.0	1.8	1.8
RoAA	3.3	3.1	3.2	3.3
Avg. Assets/Avg. net worth	4.9	5.2	5.1	5.0
RoAE	15.7	15.5	16.5	17.0

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Hold	685	671
2	28-Apr-25	Hold	685	655

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	900	959
2	Cholamandalam Investment and Finance Company	Hold	1,575	1,514
3	Mahindra & Mahindra Financial Services	Hold	285	266
4	Shriram Finance	Hold	685	671
5	Sundaram Finance	Hold	5,000	5,167

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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