

MUFG to acquire 20% stake; deal being book and earnings accretive...

About the stock: Shriram Finance (SHF) is large financier with a strong rural presence engaged in credit solution for commercial vehicles, two-wheeler, car loans, home loans, gold loans and small business.

- As of 30 Sep 2025, SHF has a huge presence with 3,225 branches across India and employee count of 78,833, customer base of ~96.6 lakhs.

Key Development: Shriram Finance's Board has approved a preferential issue of ~₹39,618 crore to MUFG Bank through issuance of 47.1 crore equity shares at ₹840.93 per share, resulting in 20% fully diluted stake for MUFG, subject to shareholder and regulatory approvals (RBI, CCI, etc.). Post completion, both MUFG Bank and the Promoter Group will each hold ~20% stake in the company. MUFG will gain the right to nominate up to two non-independent directors. The agreement further includes a \$200 million non-compete fee.

- MUFG is subject to 12-month lock-in on third-party transfer of shares post completion of deal (affiliate transfers permitted) and 24-month restriction on secondary market purchases.
- MUFG is restricted from acquiring ≥20% stake in any competing Indian NBFC as long as it holds ≥10% stake in Shriram Finance on a fully diluted basis.
- Promoter and other entities (excluding Sanlam entities) are bound by a 3-year lock-in for transfer of their existing shares. While, Sanlam entities are subject to a shorter 1-year lock-in for transfer of securities.
- Board representation: MUFG can nominate up to 2 non-independent directors
- Potential credit rating upgrade: Japan's MUFG Bank acquiring 20% equity ownership could fast track rating upgrade for Shriram Finance (current: Crisil AA+ / Stable)
- Strong strategic parentage and potential rating upgrade are expected to further reduce Shriram's cost of borrowings over the medium term.

Rating and Target Price

- Core operational performance remains resilient. We expect steady growth of ~15–16%, driven by continued focus on the SME segment. Margin tailwinds from easing cost of funds—supported by a potential credit rating upgrade—and stable asset quality are likely to provide incremental support to valuations following this transaction. Expect RoA to improve to ~3.5% in FY28E.
- Factoring in book accretion and rolling to FY28E, we maintain our valuation multiple at ~2.2x FY28E BV, implying a target price of ₹1,200. Maintain Buy rating on the stock.



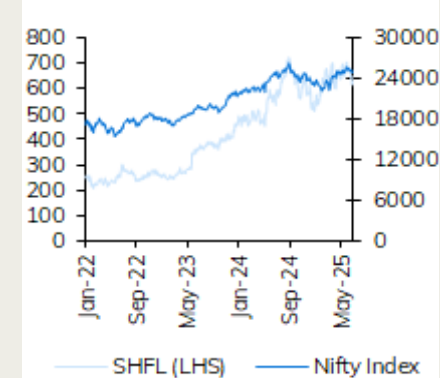
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,18,855 crore
52 week H/L	730 / 493
Net worth	₹ 58,865 Crore
Face Value	2.0
DII Holding (%)	16.3
FII Holding (%)	52.6

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	25.4	25.4	25.4	25.4
FII	53.1	53.6	53.6	53.6
DII	15.9	15.3	15.3	15.3
Others	5.6	5.7	5.7	5.7

Price Chart



Key risks

- Moderation in credit off-take could impact valuation
- Elevated volatility in margins

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Key Financial Summary

₹ crore	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII	16,698	18,794	21,853	14%	24,910	30,021	35,302	17%
PPP	12,344	14,202	16,261	15%	18,650	23,655	29,046	21%
PAT	5,979	7,190	9,761	28%	9,369	12,287	15,880	18%
ABV (₹)	1,005.0	227.5	263.7		303.1	450.5	502.9	
P/E	5.8	24.2	18.0		18.6	17.7	13.7	
P/ABV	0.9	4.1	3.5		3.1	2.1	1.8	
RoA	3.0	3.1	3.3		2.9	3.0	3.5	
RoE	13.8	14.8	17.2		14.5	10.7	12.4	

Source: Company, ICICI Direct Research

Financial Summary

Profit and loss statement		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Interest Earned	40,307.6	47,424.7	54,128.5	61,625.5	
Interest Expended	18,454.6	22,514.7	24,107.8	26,323.6	
Net Interest Income	21,853.1	24,910.0	30,020.7	35,301.8	
growth (%)	16.3%	14.0%	20.5%	17.6%	
Non Interest Income	1,564.4	1,740.6	2,599.0	3,885.6	
Net Income	23,417.4	26,650.6	32,619.8	39,187.4	
Opex	7,156.6	8,000.9	8,964.6	10,141.8	
Operating Profit	16,260.8	18,649.8	23,655.2	29,045.6	
Provisions	5,311.7	6,017.6	7,088.0	7,632.8	
PBT	10,949.1	12,632.1	16,567.2	21,412.8	
Exceptional Item	1,656.8	-	-	-	
Taxes	2,845.0	3,263.0	4,280.4	5,532.3	
Net Profit	9,760.9	9,369.1	12,286.8	15,880.5	
growth (%)	35.7%	-4.0%	31.1%	29.2%	
EPS (₹)	51.4	49.8	52.3	67.6	

Source: Company, ICICI Direct Research

Exhibit 1: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares (Crores)	188.0	188.0	235.1	235.1
EPS (₹)	51.4	49.8	52.3	67.6
BV (₹)	299.4	344.6	488.1	545.5
ABV (₹)	263.7	303.1	450.5	502.9
P/E	18.0	18.6	17.7	13.7
P/BV	3.1	2.7	1.9	1.7
P/ABV	3.5	3.1	2.1	1.8
NII/AUM	8.3	8.2	8.5	8.7
Cost to AUM	2.7	2.6	2.5	2.5
Gross Stage 3	4.5	4.8	4.9	5.0
Net Stage 3	2.6	2.6	2.5	2.5
RoE	17.2	14.5	10.7	12.4
RoA	3.3	2.9	3.0	3.5

Source: Company, ICICI Direct Research

Exhibit 2: Balance sheet				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	376	376	470	470
Reserves and Surplus	55905	64397	114271	127769
Networth	56281	64773	114741	128239
Borrowings	234197	260982	290407	323580
Other Liabilities & Provisions	3243	3436	3408	2500
Total	293721	329190	408557	454319

Application of Funds				
Cash & Bal	21366	14044	42315	32582
Advances	245393	286204	331894	382935
Investment	15788	14925	18141	20001
Other assets	11175	14018	16206	18801
Total	293721	329190	408557	454319

Source: Company, ICICI Direct Research

Exhibit 3: Growth ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	23.8%	12.1%	24.1%	11.2%
Advances	18.0%	16.6%	16.0%	15.4%
Net interest income	16.3%	14.0%	20.5%	17.6%
Operating expenses	19.6%	11.8%	12.0%	13.1%
Net profit	35.7%	-4.0%	31.1%	29.2%
Net worth	15.9%	15.1%	77.1%	11.8%

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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