



**CMP: ₹1455-1510**

**BUY**

**TP: ₹1825**

**Upside: 23%**

- Shriram Transport Finance is the largest financer of CVs in India. The company enjoys a large market share of ~25% in the used-CV financing market and ~6% in the new-CV financing segment. With focus on a particular set of customers – small-truck owners – who do not have access to bank financing, SHTF has developed a unique ‘close-to-the-customer’ model over the past 30 years.
- Management is in the process of evaluating mergers within the group companies.
- Shriram Transport Finance’s Disbursement in the 1QFY22 was a positive surprise as it was 4% higher than the pre-Covid levels driven by pent-up demand in PV and LCV segment along with sanctions from previous quarters.
- With economic activities resuming post Covid-19, we can expect normal provisioning from 3QFY22 as collection and recoveries would improve.
- The company has excess liquidity on its balance sheet, and this was leading to excess negative carry. The management plans to reduce the excess liquidity which can tackle this negative carry and increase margins.

## Financial Summary

| Consolidated (₹bn) | Net income | PAT Margin (%) | EPS   | EPS growth (%) | P/E (x) | RoE (%) |
|--------------------|------------|----------------|-------|----------------|---------|---------|
| FY22E              | 89.2       | 30.5           | 108.2 | 10%            | 14.1    | 11      |
| FY23E              | 101.4      | 32.0           | 123.8 | 14%            | 12.3    | 10.6    |



Disclaimer:

## Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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Investment

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