

Sundaram Finance

Value emerging; upgrade to ADD

Sundaram Finance's (SUF) revamped strategy of product (retail CV, commercial lending) and geographic diversification (non-South) under the current MD has delivered improved AUM CAGR of 20% during FY23-FY25 (vs. 9% CAGR during FY16-FY22). The strong growth has been achieved despite the subdued CV industry volumes during FY24-FY25 (~2% CAGR). [Strong festive period](#), particularly in PVs and Tractors on the back of reduction in GST rates is likely to augment the loan growth going ahead. Further, the core profitability remains intact (RoE of ~17-18%) with steady NIMs on the back of exercising of pricing power and liabilities optimization. While credit costs were elevated in Q1FY26, we expect normalization going ahead, although FY26 credit costs may remain marginally high. With muted shareholder returns over the past few quarters, current valuations (3.3x Mar-27 ABVPS) are turning risk-reward favorable at the margin. We upgrade SUF from REDUCE to ADD with a revised SOTP-based TP of INR 4,620 (standalone entity at implied 3.3x Sep-27 ABVPS).

- **Steady AUM growth on the back of diversification strategy:** SUF has delivered healthy AUM growth during FY23-FY25 (~20% CAGR) on the back of product diversification (increasing share of retail CV, commercial lending etc.). This has been on the back of strong relationships with customers and dealerships, and increased focus by the new management. We expect SUF to continue with market share gains in key select segments, which along with expected revival in the CV/PV segment is likely to aid healthy AUM growth during FY26-FY28E.
- **Marginal NIM reflation ahead:** SUF's NIMs have remained steady (~4.4%) during FY23-FY25 despite rising interest rate environment. This has been largely due to product diversification towards higher-yielding loans and optimization of the liabilities mix. SUF's cost of funds remains best-in-class (7.4% for FY25) on the back of AAA rating and a diversified borrowings mix. We expect NIMs to reflate marginally in FY26E.
- **HFC subsidiary sustains growth momentum:** SHUF (SUF's HFC subsidiary) witnessed healthy turnaround in growth momentum, with AUM/disbursements CAGR of 22%/41% during FY23-FY25. Investments in branches/employees (63/1K added since Mar-22) are likely to sustain the growth momentum, although overall profitability has remained relatively subdued (average RoE of ~12.5% during FY23-FY25). The AMC subsidiary delivered muted AUM growth during FY25 (+6% YoY), while the GI business continues to grapple with a high COR (113%).
- **Robust franchise; value emerging post subdued shareholder returns:** SUF remains a robust franchise with strong profitability (core RoE of ~17-18%) and pristine asset quality (cross-cycle credit costs of ~50bps). While the muted PV/CV cycle has moderated AUM growth, SUF is poised to deliver steady AUM CAGR of ~16% during FY26-FY28E.

Financial Summary (Standalone)

Y/E Mar (INR bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
NII	16.9	19.5	24.0	28.2	32.8	38.2
PPOP	15.5	19.7	23.0	27.8	31.8	36.6
PAT	10.9	13.2	15.4	18.4	21.5	24.6
EPS (INR)	98.0	130.9	138.8	165.8	193.1	221.7
ROAE (%)	14.9	16.9	15.0	15.6	16.1	16.4
ROAA (%)	2.9	3.2	2.8	2.9	2.9	2.9
ABVPS (INR)	479	648	788	900	1,036	1,199
P/ABV (x)	7.2	5.3	4.4	3.8	3.3	2.9
P/E (x)	35.3	26.4	24.9	20.8	17.9	15.6

Source: Company, HSIE Research

ADD

CMP (as on 09 Oct 2025) INR 4,398

Target Price INR 4,620

NIFTY 25,182

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 4410	INR 4620
EPS %	FY26E -1.9%	FY27E -2.5%

KEY STOCK DATA

Bloomberg code	SUF IN
No. of Shares (mn)	111
MCap (INR bn) / (\$ mn)	489/5,503
6m avg traded value (INR mn)	429
52 Week high / low	INR 5,419/3,925

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.6)	(7.5)	(17.0)
Relative (%)	(10.9)	(18.7)	(17.8)

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	37.2	37.2
FIs & Local MFs	22.6	22.4
FPIs	7.5	7.8
Public & Others	32.7	32.6
Pledged Shares	0.0	

Source: BSE

Pledged shares as % of total shares

Deepak Shinde

deepak.shinde@hdfcsec.com
+91-22-6171-7323

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Ayush Pandit

ayush.pandit@hdfcsec.com
+91-22-6171-7366

Exhibit 1: FY25 annual report dashboard

SUF IN	Units	FY20	FY21	FY22	FY23	FY24	FY25
AUM	INR bn	299	309	295	346	440	515
As % of gross advances							
CRE exposure	%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Capital market exposure	%	0.1%	0.5%	0.8%	0.9%	2.9%	3.7%
Secured	%	99%	99%	99%	98%	99%	98%
RWA as % of assets	%	82%	83%	81%	81%	82%	80%
Productivity (per month)							
AUM/branch	INR mn	490.8	525.2	477.9	514.9	619.5	725.0
AUM/employee	INR mn	71.1	76.5	69.3	72.9	86.9	100.3
Disbursements/branch	INR mn	19.9	16.3	18.3	27.1	31.6	33.3
Disbursements/employee	INR mn	3.0	2.4	2.6	3.7	4.3	4.6
% YoY							
AUM/branch	%	11.4%	7.0%	-9.0%	7.8%	20.3%	17.0%
AUM/employee	%	-0.6%	7.7%	-9.5%	5.3%	19.2%	15.4%
Disbursements/branch	%	-10.8%	-18.1%	12.3%	47.8%	16.5%	5.6%
Disbursements/employee	%	-14.9%	-19.2%	7.0%	42.1%	16.8%	7.8%
Concentration metrics							
Top 20 - % of advances	%	2.7%	2.1%	2.3%	4.7%	4.0%	3.5%
Top 20 - % of exposure	%	2.0%	3.4%	3.3%	3.0%	2.7%	2.4%
Top 20 - % of deposits	%	4.5%	3.9%	4.4%	4.8%	6.3%	8.6%
Top 10 - % GNPA	%	7.8%	9.4%	7.3%	6.9%	4.9%	4.2%
Liabilities							
Borrowings mix							
Banks - Term loans	%	22%	22%	22%	30%	42%	42%
Banks - CC/OD	%	2%	3%	4%	6%	5%	5%
ECB	%	0%	0%	0%	0%	0%	0%
Debentures	%	41%	45%	46%	34%	28%	25%
CPs	%	13%	7%	4%	7%	5%	10%
Tier II	%	8%	9%	9%	7%	6%	5%
Deposits	%	14%	15%	15%	15%	14%	13%
NHB	%	0%	0%	0%	0%	0%	0%
Cost of funds	%	7.9%	7.3%	6.1%	5.9%	7.0%	7.4%
Debt securities	%	8.8%	7.9%	6.4%	6.0%	6.9%	7.2%
Other borrowings	%	5.8%	5.1%	3.9%	4.7%	6.8%	7.2%
Tier II	%	8.9%	8.3%	8.5%	8.4%	8.1%	8.5%
Deposits	%	8.1%	7.6%	7.1%	6.4%	7.1%	7.6%
LCR %	%			128%	93%	177%	153%
Employees							
Employee attrition rate %	%		4.4%	7.6%	9.2%	9.0%	8.4%
Asset Quality							
GS II %	%	5.5%	6.2%	6.5%	3.6%	3.3%	4.0%
GS III %	%	2.5%	1.8%	2.2%	1.7%	1.3%	1.5%
Write-offs (%)	%	0.5%	0.6%	0.8%	0.9%	0.6%	0.5%
Gross Slippages (%)	%	1.7%	0.1%	1.1%	0.7%	0.4%	0.7%
Upgrades & recoveries (%)	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Slippages (%)	%	1.7%	0.1%	1.1%	0.7%	0.4%	0.7%
PCR – Stage I (%)	%	0.2%	0.3%	0.4%	0.3%	0.2%	0.2%
PCR - Stage II (%)	%	3.1%	4.9%	6.5%	5.4%	4.9%	4.0%
PCR - Stage III (%)	%	33.9%	45.7%	52.0%	48.6%	50.2%	48.6%

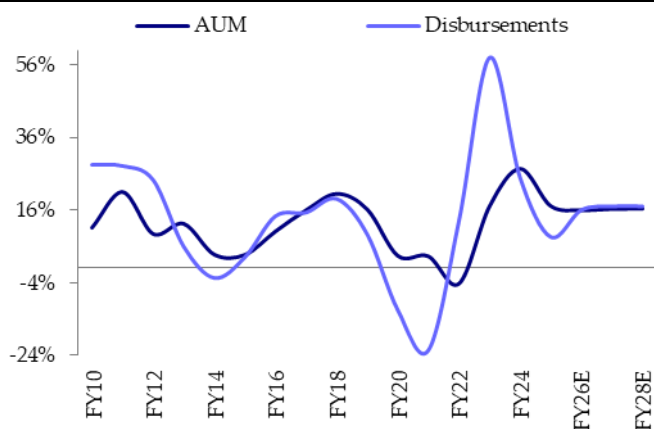
Source: Company, HSIE Research

Steady loan growth; CV/PV cycle revival to further spur growth

- Steady AUM growth on the back of diversification strategy:** SUF has delivered healthy AUM growth during FY23-FY25 (~20% CAGR) on the back of product diversification (increasing share of retail CV, commercial lending, etc.) and geographic diversification (non-South at 45.8% of AUM in Mar-25 vs. 42.5% in Mar-22). This has been on the back of strong relationships with customers and dealerships, and increased focus by the new management towards the retail CV segment. SUF continues to focus on maintaining its wallet share in the core M&HCV segment, along with focus on unit-level profitability.

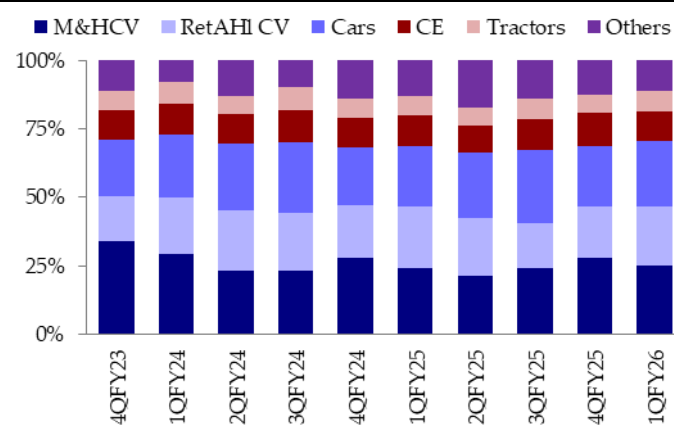
While the CV/PV industry growth has moderated significantly in the last couple of years, we expect an uptick in H2FY26 and FY27 on the back of GST rate cuts and uptick in economic activity. The current **festive season** has witnessed a strong surge in volumes on the back of pent-up demand, discounts/offers by both OEMs and lenders, and reduced vehicle prices.

Exhibit 2: AUM growth expected to remain steady during FY26-FY28E



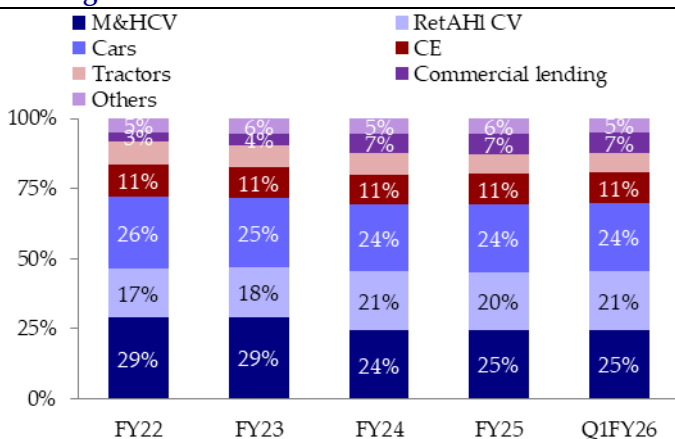
Source: Company, HSIE Research

Exhibit 3: Disbursement mix shifting towards non-M&HCV segments



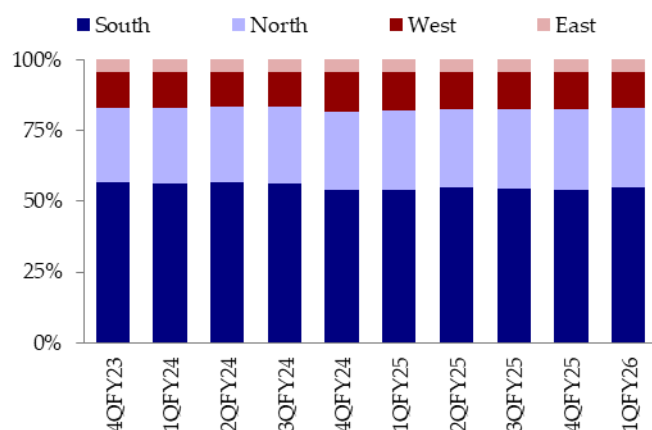
Source: Company, HSIE Research

Exhibit 4: Increasing share of Retail CV and commercial lending in the AUM mix



Source: Company, HSIE Research

Exhibit 5: AUM mix shifting towards non-south regions



Source: Company, HSIE Research

Exhibit 6: Retail CV sales volumes for the industry: particularly LCV segment has been muted

% YoY	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
CVs	23%	23%	9%	9%	14%	15%	11%	2%	-1%	-1%	3%	2%
-LCV	16%	17%	4%	1%	8%	10%	8%	2%	-4%	0%	4%	1%
-MCV	30%	2%	6%	29%	35%	25%	21%	1%	1%	0%	11%	9%
-HCV	49%	41%	18%	18%	19%	18%	9%	-4%	-3%	-6%	-3%	-4%
-Others	-18%	40%	34%	45%	41%	69%	75%	NA	NA	13%	9%	NA

Source: FADA, HSIE Research

Exhibit 7: Muted retail auto sales volumes in Q2FY26

Q2FY26	% YoY	% QoQ
CV/CE	2%	-8%
-LCV	5%	1%
-MCV	14%	-3%
-HCV	-2%	-14%
-CE	-26%	-44%
PVs	2%	0%
2Ws	0%	-16%
3Ws	-3%	3%
Tractors	15%	14%

Source: FADA, HSIE Research

Exhibit 8: Strong sales rebound in the current festive season (on a like to like basis)

	% YoY
CV	15%
CE	-18%
PVs	35%
2Ws	36%
3Ws	25%
Tractors	19%

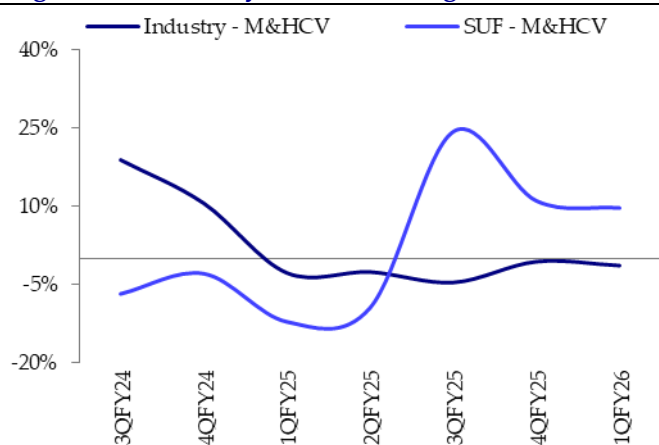
Source: FADA, HSIE Research

Exhibit 9: SUF's CV/CE loan growth has been largely in line with peers

% YoY	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
SUF	20%	23%	18%	4%	-4%	-7%	19%	25%	16%
HDFCB*	24%	29%	25%	0%	8%	18%	35%	26%	15%
IIB	14%	26%	26%	1%	1%	-3%	19%	17%	-4%
CIFC	8%	40%	35%	2%	9%	2%	24%	22%	18%
SHFL	9%	24%	10%	7%	11%	12%	12%	15%	10%
KMB	45%	40%	30%	-2%	6%	10%	24%	33%	17%

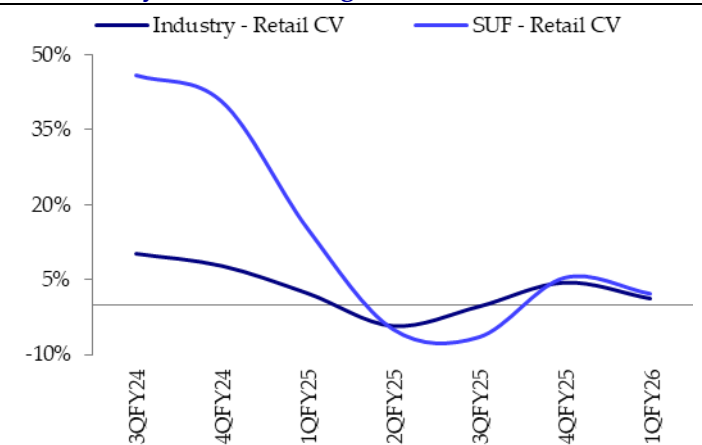
Source: Company, HSIE Research | * Consolidated | Note: HDFC securities is a subsidiary of HDFC Bank

Exhibit 10: SUF's disbursements in the M&HCV segment vs. industry sales volumes growth (% YoY)



Source: Company, FADA, HSIE Research

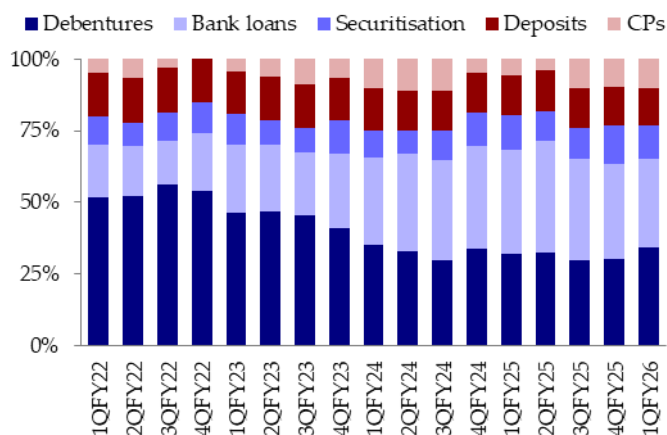
Exhibit 11: SUF's disbursements in the retail CV segment vs. industry sales volumes growth (% YoY)



Source: Company, FADA, HSIE Research

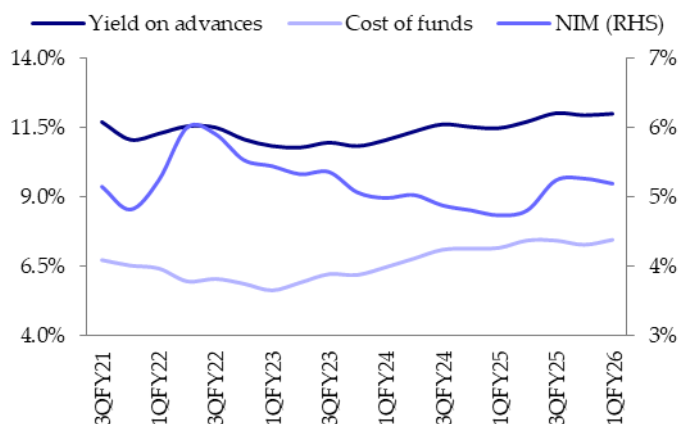
- Marginal NIM reflation ahead:** SUF's NIMs have remained steady (~4.4%) during FY23-FY25 despite rising interest rate environment. This has been mainly due to product diversification towards higher-yielding loans and optimization of the liabilities mix. SUF's cost of funds remains best-in-class (7.4% for FY25) on the back of AAA rating and a diversified borrowings mix. Going ahead, we expect NIMs to reflate marginally during FY26E on the back of repo rate cuts during FY26.

Exhibit 12: SUF has a well-diversified borrowings mix



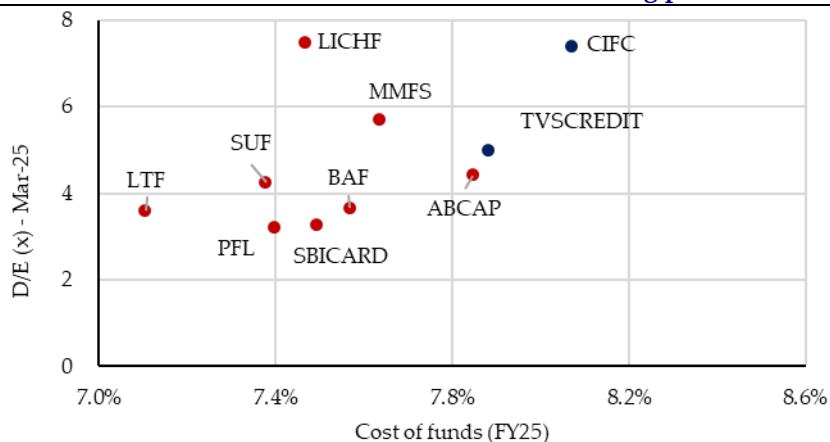
Source: Company, HSIE Research

Exhibit 13: NIMs have reflatd marginally post moderation in the previous quarters



Source: Company, HSIE Research

Exhibit 14: SUF has one of the lowest cost of funds among peers



Source: Company, HSIE Research | Red circle denotes AAA-rated NBFCs

Sundaram Finance: Company Update

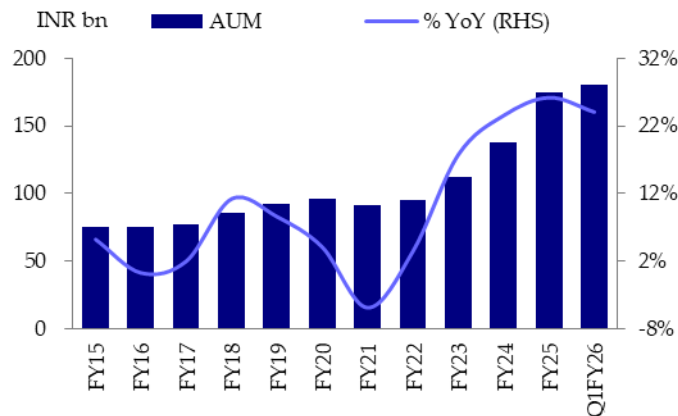
Exhibit 15: Peer comparison (FY25)

FY25	Units	CIFC	SHTF	MMFS	SUF	INDOSTAR	HINDUJA	SKFIN	KOGTA
AUM	INR bn	1,847	2,632	1,197	515	80	617	133	65
Disbursements	INR bn	1,009	1,656	579	284	53	282	84	40
Growth (% YoY)									
AUM	%	27%	17%	17%	17%	23%	25%	27%	36%
Disbursements	%	14%	16%	3%	9%	15%	6%	16%	27%
Margins									
Yield on advances	%	13.9%	16.1%	13.0%	11.5%	16.8%	11.9%	17.4%	15.7%
Cost of funds	%	8.1%	8.8%	7.6%	7.4%	11.4%	8.6%	9.5%	8.7%
Spread	%	5.8%	7.3%	5.4%	4.1%	5.3%	3.3%	7.9%	7.0%
NIM	%	6.3%	8.1%	5.9%	4.4%	5.0%	3.6%	8.5%	7.6%
% Borrowings									
Banks	%	46%	16%	47%	47%	46%	79%	53%	76%
NCD + CPs	%	17%	16%	23%	34%	17%	3%	19%	8%
Off balance sheet	%	0%	1%	0%	3%	6%	21%	9%	15%
Cost efficiency									
Cost-to-income ratio	%	39%	31%	42%	31%	72%	38%	49%	52%
Opex-to-AUM ratio	%	3.2%	2.9%	3.1%	2.2%	6.7%	1.9%	5.8%	5.8%
Productivity									
AUM/branch	INR mn	1,232	835	865	725	166	NA	216	272
Disbursals/branch (p.m.)	INR mn	56.0	43.8	34.9	33.3	9.1	NA	11.4	14.1
Disbursals/employee (p.m.)	INR mn	1.4	1.8	1.9	4.6	1.0	NA	0.6	0.6
Employees/branch	x	40.3	24.8	18.5	7.2	9.9	NA	19.2	23.4
Repayment rate	%	42%	57%	40%	48%	58%	32%	54%	48%
Asset Quality									
GS III	%	2.8%	4.6%	3.7%	1.5%	4.5%	3.5%	4.7%	2.5%
NS III	%	1.6%	2.7%	1.9%	0.8%	2.5%	2.1%	3.4%	1.7%
GS II	%	2.5%	6.9%	5.4%	4.0%	6.1%	9.3%	3.4%	3.3%
PCR - Stage III	%	45%	43%	51%	49%	47%	42%	29%	32%
Credit costs	%	1.5%	2.2%	1.5%	0.5%	2.0%	1.5%	2.2%	1.5%
(% of avg. assets)									
Interest earned	%	13.2%	15.2%	12.2%	10.3%	11.9%	10.6%	15.3%	13.6%
Interest expended	%	7.0%	7.0%	6.3%	5.9%	7.4%	7.0%	7.0%	6.2%
Net interest income	%	6.3%	8.2%	5.9%	4.4%	4.5%	3.6%	8.3%	7.5%
Non-interest income	%	1.3%	0.6%	0.6%	1.7%	2.1%	1.8%	1.9%	2.7%
Operating expenses	%	3.0%	2.7%	2.7%	1.9%	4.8%	2.1%	5.0%	5.4%
Pre-provisioning profit	%	4.6%	6.1%	3.8%	4.2%	1.9%	3.3%	5.2%	4.9%
Provisions	%	1.4%	2.0%	1.3%	0.4%	1.4%	1.3%	1.7%	1.2%
PBT	%	3.2%	4.1%	2.5%	3.7%	0.5%	2.1%	3.5%	3.7%
ROAA	%	2.4%	3.7%	1.9%	2.8%	0.5%	1.5%	2.7%	2.7%
Assets/Equity	x	8.3	5.1	6.6	5.3	3.1	6.5	4.2	3.7
ROAE	%	19.7%	18.6%	12.4%	15.0%	1.6%	10.1%	11.5%	10.0%

Source: Company, HSIE Research | Note: SHTF's ROAA/ROAE includes income from stake sale in erstwhile Shriram Housing Finance

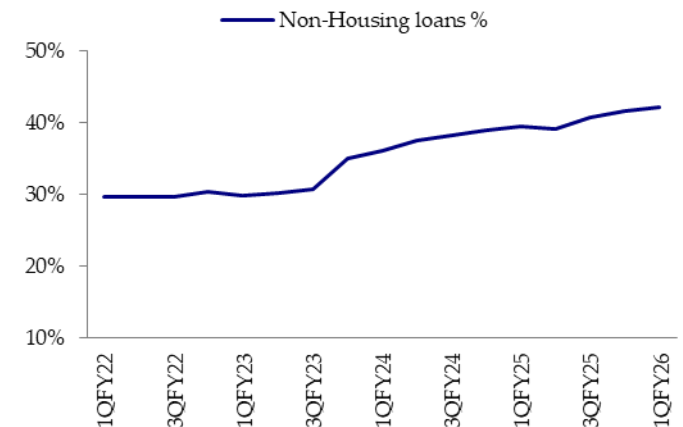
- **HFC subsidiary sustains growth momentum:** SHUF (SUF's HFC subsidiary) witnessed healthy turnaround in growth momentum, with AUM/ disbursements CAGR of 22%/41% during FY23-FY25. Investments in branches/employees (63/1K added since Mar-22) are likely to sustain the growth momentum, although overall profitability has remained relatively subdued (average RoE of ~12.5% during FY23-FY25).

Exhibit 16: HFC – Growth has picked up significantly since FY23



Source: Company, HSIE Research

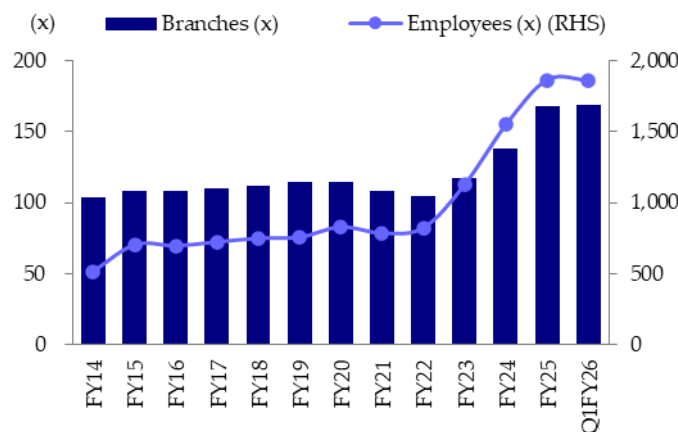
Exhibit 17: Rising share of non-housing loans



Source: Company, HSIE Research

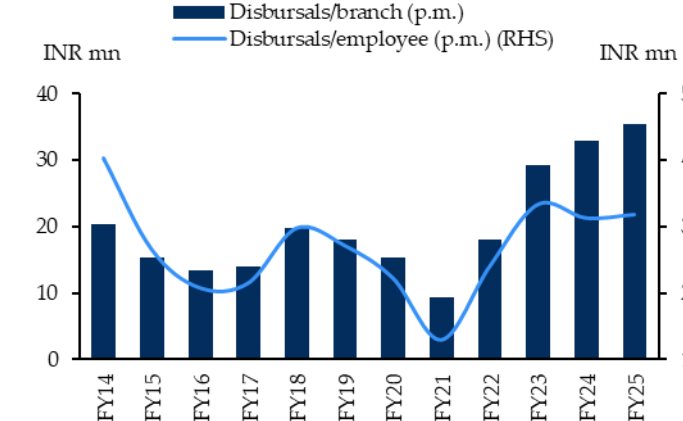
- **Productivity gains ahead; incremental loan growth likely to be broad-based:** SHUF's focus on portfolio diversification has contributed to strong loan growth, partly cushioning margin compression. However, the RBI's floor cap on exposure towards housing finance of ~60% for HFCs is likely to cap the share of non-housing loans within the overall portfolio. Further, improving productivity at employee level is likely to further augment the loan growth.

Exhibit 18: Branch additions during FY23-FY25



Source: Company, HSIE Research

Exhibit 19: Improving productivity metrics

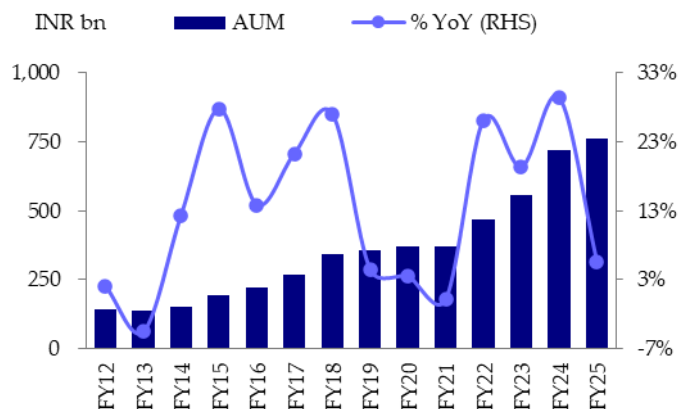


Source: Company, HSIE Research

Sundaram Finance: Company Update

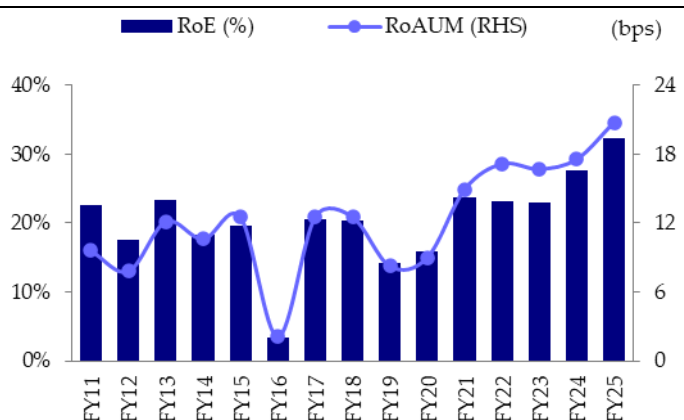
- AMC business – growth pangs:** Sundaram AMC has witnessed significant moderation in AUM growth during FY25 post strong growth during FY22-FY24. Share of equity AUM continues to remain high (~82%), aiding healthy profitability (RoAUM of ~20bps in FY25).

Exhibit 20: Muted AUM growth post strong growth during FY22-FY24



Source: Company, HSIE Research

Exhibit 21: Healthy profitability



Source: Company, HSIE Research

Value emerging; upgrade to ADD

- **Robust franchise, with incremental favorable risk-reward:** SUF remains a robust franchise with strong profitability (core RoE of ~17-18%) and pristine asset quality (cross-cycle credit costs of ~50bps). The diversification strategy has been pivotal in enabling the franchise deliver higher loan growth. Muted shareholder returns over the past four quarters has further turned the risk-rewards favorable.

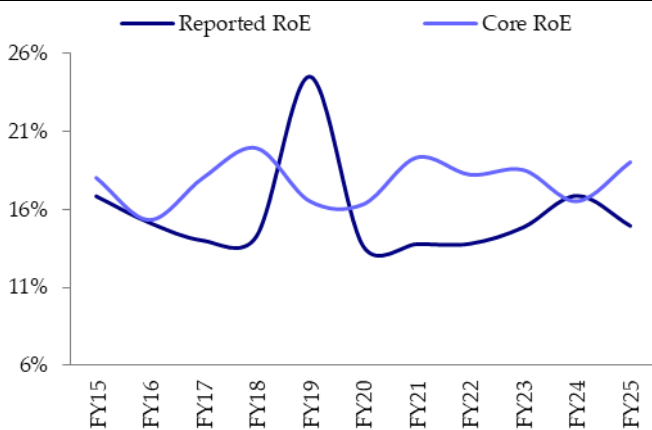
We revise FY26/FY27E earnings estimates marginally due to higher credit costs, partly offset by higher other income and upgrade SUF from REDUCE to ADD with a revised SoTP-based TP of INR 4,620 (standalone entity at implied 3.3x Sep-27 ABVPS).

Exhibit 22: Change in estimates

(INR bn)	FY26E			FY27E		
	Old	New	Change	Old	New	Change
AUM	598	597	-0.2%	694	693	-0.1%
NIM (%)	4.4	4.5	4 bps	4.5	4.5	-1 bps
NII	28.1	28.2	0.3%	33.2	32.8	-1.4%
PPOP	27.5	27.8	1.0%	32.2	31.8	-1.0%
PAT	18.8	18.4	-1.9%	22.0	21.5	-2.5%
Adj. BVPS (INR)	905	900	-0.6%	1,045	1,036	-0.9%

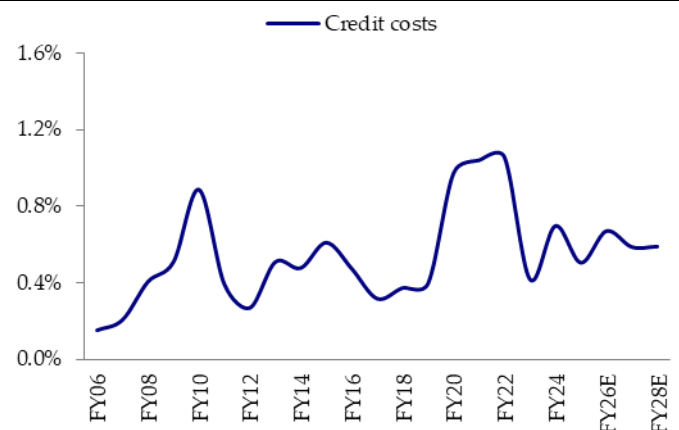
Source: Company, HSIE Research

Exhibit 23: Healthy cross-cycle RoE



Source: Company, HSIE Research | IND AS from FY18 onwards

Exhibit 24: SUF's cross-cycle credit costs at ~50bps

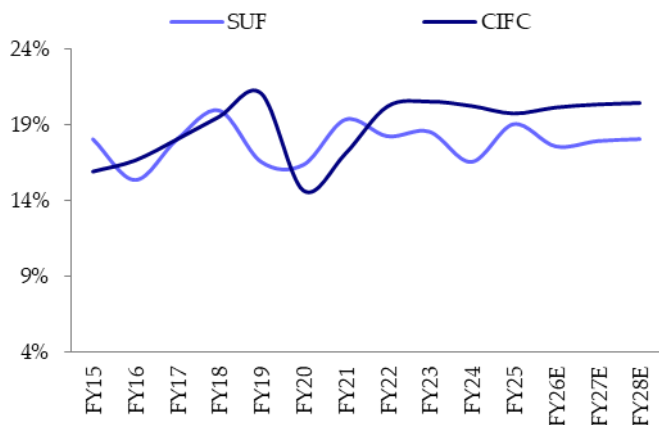


Source: Company, HSIE Research | IND AS from FY18 onwards

- **Implied valuation at ~20% discount to CIFC:** SUF and CIFC are robust franchises with strong profitability and loan growth. While SUF has demonstrated steady asset quality during down cycles, CIFC has delivered higher RoEs and loan growth. Further, CIFC's loan portfolio is increasingly getting relatively more diversified (non-vehicle book at 45% of AUM) and thus commands a valuation premium to SUF.

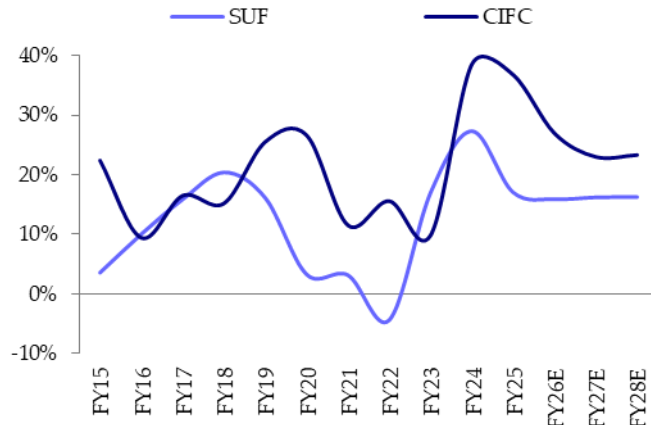
Sundaram Finance: Company Update

Exhibit 25: CIFIC's RoE is expected to be higher compared to SUF



Source: Company, HSIE Research | IND AS from FY18 onwards | Core RoE for SUF

Exhibit 26: CIFIC scoring higher than SUF over AUM growth



Source: Company, HSIE Research

Exhibit 27: SoTP-based valuation of SUF

	Value (INR bn)	% Stake	Total (INR bn)	per share (INR)	% of TP	Valuation Methodology
SUF (standalone, Sep-27 ABVPS)	408	100%	408	3,676	80%	RI-based
Sundaram Home Finance	35	100%	35	317	7%	1.4x Sep-27 ABVPS
Sundaram AMC	35	100%	35	318	7%	17x Sep-27 EPS
Sundaram Finance Holdings	140	20%	28	252	5%	CMP
Royal Sundaram General Insurance	29	50%	15	133	3%	14x Sep-27 EPS
Total value of subsidiaries			113	1,020	22%	
Less: Holding company discount			9	77	2%	20% Hold co discount
Total SoTP valuation			513	4,620	100%	

Source: Company, HSIE Research

Financials (Standalone)

Income Statement

(INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest earned	34,721	45,246	56,574	64,816	74,680	86,881
Interest expended	17,771	25,758	32,540	36,655	41,902	48,711
Net interest income	16,950	19,488	24,034	28,161	32,778	38,170
Other income	6,381	9,698	9,387	11,691	12,846	14,269
Total income	23,331	29,186	33,421	39,852	45,624	52,439
Operating expenditure	7,789	9,481	10,389	12,051	13,787	15,815
Pre-provisioning operating profit	15,542	19,705	23,032	27,800	31,837	36,624
Non-tax provisions	1,343	2,738	2,415	3,726	3,788	4,424
Profit before tax	14,200	16,967	20,617	24,074	28,048	32,200
Share of net profit of associates and joint ventures	0	0	0	0	0	0
Exceptional gain/(loss)	0	1,339	0	0	0	0
Tax expenditure	3,317	3,765	5,190	5,657	6,591	7,567
Profit attributable to non-controlling interests	0	0	0	0	0	0
Profit after tax	10,883	14,540	15,427	18,417	21,457	24,633
Adjusted Profit after tax	10,883	13,202	15,427	18,417	21,457	24,633

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,111	1,111	1,111	1,111	1,111	1,111
Reserves and surplus	76,263	93,606	110,280	123,919	139,821	158,898
Net worth	77,374	94,717	111,391	125,030	140,932	160,009
Borrowings	327,549	408,769	473,202	552,495	645,282	754,668
Other liabilities and provisions	5,664	6,392	7,555	9,182	10,702	12,472
Total equity and liabilities	410,587	509,878	592,148	686,707	796,916	927,149
Cash and cash equivalents	10,703	14,184	19,745	24,646	33,660	46,114
Investments	50,628	63,829	68,626	71,742	75,648	80,137
Advances	337,552	420,768	493,735	573,891	668,874	779,502
Fixed assets	5,131	6,582	7,311	8,188	9,171	10,271
Other assets	6,573	4,515	2,731	8,240	9,563	11,126
Total assets	410,587	509,878	592,148	686,707	796,916	927,149

Source: Company, HSIE Research

Sundaram Finance: Company Update

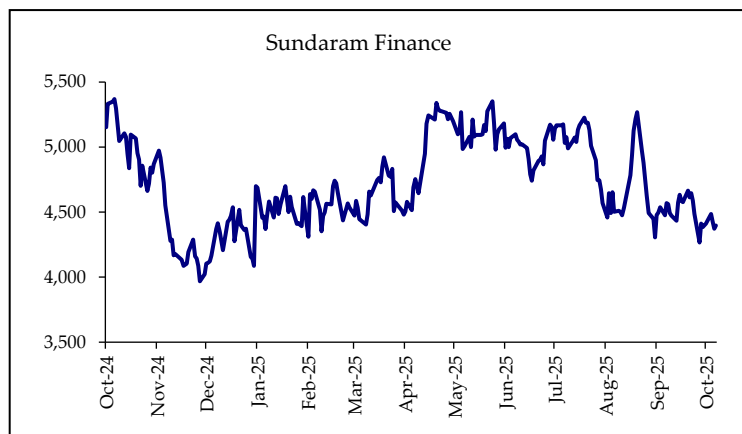
Key Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS						
EPS (INR)	98.0	130.9	138.8	165.8	193.1	221.7
Earnings Growth (%)	20.5%	33.6%	6.1%	19.4%	16.5%	14.8%
BVPS (ex reval.) (INR)	506	672	822	945	1,088	1,260
Adj. BVPS (ex reval. & 100% cover) (INR)	479.3	647.7	787.7	899.7	1,035.7	1,199.3
ROAA (%)	2.9%	3.2%	2.8%	2.9%	2.9%	2.9%
ROAE (%)	14.9%	16.9%	15.0%	15.6%	16.1%	16.4%
P/E (x)	35.3	26.4	24.9	20.8	17.9	15.6
P/ABV (x)	7.2	5.3	4.4	3.8	3.3	2.9
P/PPOP (x)	31.4	24.8	21.2	17.6	15.3	13.3
Dividend yield (%)	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%
PROFITABILITY (%)						
Yield on Advances (%)	10.6%	11.2%	11.5%	11.4%	11.4%	11.4%
Cost of Funds (%)	5.9%	7.0%	7.4%	7.1%	7.0%	7.0%
Core Spread (%)	4.8%	4.2%	4.1%	4.3%	4.4%	4.4%
NIM (%)	4.5%	4.3%	4.4%	4.5%	4.5%	4.5%
OPERATING EFFICIENCY						
Cost to average AUM ratio (%)	2.4%	2.4%	2.2%	2.2%	2.1%	2.1%
Cost-income ratio (%)	33.4%	32.5%	31.1%	30.2%	30.2%	30.2%
BALANCE SHEET STRUCTURE RATIOS						
Loan growth (%)	18.9%	24.7%	17.3%	16.2%	16.6%	16.5%
AUM growth (%)	17.0%	27.3%	17.0%	15.9%	16.2%	16.3%
Borrowing growth (%)	17.7%	24.8%	15.8%	16.8%	16.8%	17.0%
Debt/Equity (x)	4.2	4.3	4.2	4.4	4.6	4.7
Equity/Assets (%)	18.8%	18.6%	18.8%	18.2%	17.7%	17.3%
Equity/Loans (%)	22.9%	22.5%	22.6%	21.8%	21.1%	20.5%
Total Capital Adequacy Ratio (CAR) (%)	22.8%	20.5%	20.4%	19.9%	19.6%	19.4%
Tier I CAR (%)	17.7%	16.8%	17.3%	17.3%	17.3%	17.4%
ASSET QUALITY						
GS III (INR mn)	5,765	5,457	7,424	9,322	10,824	12,577
NS III (INR mn)	2,966	2,718	3,817	5,018	5,807	6,708
Slippages (%)	1.1%	0.8%	1.2%	1.4%	1.2%	1.2%
GS III (%)	1.67%	1.27%	1.47%	1.61%	1.60%	1.60%
NS III (%)	0.87%	0.64%	0.77%	0.87%	0.87%	0.86%
Coverage Ratio (%)	48.6%	50.2%	48.6%	46.2%	46.3%	46.7%
Provision/AUM (%)	0.4%	0.7%	0.5%	0.7%	0.6%	0.6%
Provision/Gross advances (%)	0.4%	0.7%	0.5%	0.7%	0.6%	0.6%
(% of average assets)						
Interest earned	9.1%	9.8%	10.3%	10.1%	10.1%	10.1%
Interest expended	4.7%	5.6%	5.9%	5.7%	5.6%	5.7%
Net interest income	4.4%	4.2%	4.4%	4.4%	4.4%	4.4%
Non-interest income	1.7%	2.1%	1.7%	1.8%	1.7%	1.7%
Operating expenses	2.0%	2.1%	1.9%	1.9%	1.9%	1.8%
Pre-provisioning profit	4.1%	4.3%	4.2%	4.3%	4.3%	4.2%
Non-tax provisions	0.4%	0.6%	0.4%	0.6%	0.5%	0.5%
Others	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
Provision for tax	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%
ROAA	2.9%	3.2%	2.8%	2.9%	2.9%	2.9%
Average assets/Average equity (x)	5.2	5.3	5.3	5.4	5.6	5.7
ROAE	14.9%	16.9%	15.0%	15.6%	16.1%	16.4%

Source: Company, HSIE Research

Sundaram Finance: Company Update

Price Movement



Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

Sundaram Finance: Company Update

Disclosure:

We, **Deepak Shinde, PGDM, Krishnan ASV, PGDM & Ayush Pandit, CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding: NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

Sundaram Finance: Company Update

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com