

thehindubusinessline.com

March 26, 2015

Shriram Transport (Buy)

Religare Securities

CMP: ₹1,095.25

Target: ₹1,500

We believe Shriram Transport Finance (SHTF) is the best stock to play the CV recovery. Our Auto analyst expects M&HCV volumes to grow by about 20 per cent in FY16/FY17. We believe SHTF's disbursement growth will outpace M&HCV volume growth due to narrowing vehicle discounts (currently 5–7 per cent), an increase in LTVs (down 5–7 per cent since FY11 peak) and higher churning of older vehicles (>5 years) where SHTF has a dominant position. Credit costs have been running at ₹300 crore per quarter for the last one year and we expect the trend to continue for the next 2–3 quarters. We conservatively estimate a 20 bps decline in credit cost as a percentage of AUM each in FY16 and FY17.

Though growth will be modest till H1FY16, we expect a sharp improvement in disbursement, margins and credit cost once we hit the middle of the CV upcycle in late FY16 or early FY17, led by 1) stronger CV replacement demand; 2) a higher churn rate in used vehicles (SHTF's stronghold); and 3) lower delinquencies. We model for a 30 per cent earnings CAGR over FY15–FY17.

<http://www.thehindubusinessline.com/markets/stock-markets/shriram-transport-buy/article7036369.ece>

investmentguruindia.com

March 25, 2015

Buy Shriram Transport Finance Company Ltd For Target Rs.1,500.00 – Religare Securities Ltd

Well worth the long haul

We believe SHTF is the best stock to play the CV recovery. Though growth will be modest till H1FY16, we expect a sharp improvement in disbursement, margins and credit cost once we hit the middle of the CV upcycle in late-FY16 or early-FY17, led by (1) stronger CV replacement demand, (2) a higher churn rate in used vehicles (SHTF's stronghold), and (3) lower delinquencies. We model for a 30% earnings CAGR over FY15-FY17 and retain our BUY rating on the stock with a revised Mar'16 TP of Rs 1,500.

*** Loan growth to improve materially from FY17:**

Our Auto analyst expects M&HCV volumes to grow by ~20% in FY16/FY17. We believe SHTF's disbursement growth will outpace M&HCV volume growth due to narrowing vehicle discounts (currently 5-7%), an increase in LTVs (down 5-7% since FY11 peak) and higher churning of older vehicles (>5yrs) where SHTF has a dominant position.

*** Multiple drivers at play for margin improvement:**

Margins have declined by ~200bps since FY11 and are expected to recover gradually from FY16 driven by lower interest reversal (due to lower delinquencies), a change in loan mix towards older vehicles, higher securitisation and lower cost of funds as rates soften. The proportion of off-book loans is at a record low of 14% (Q3FY15). A sell-down will reduce SHTF's cost of funds by 100-150bps, which will flow into margins once securitisation gathers steam.

*** Credit cost stabilising:**

Credit costs have been running at Rs 3bn per quarter for the last one year and we expect the trend to continue for the next 2-3 quarters. We conservatively estimate a 20bps decline in credit cost as a percentage of AUM each in FY16 and FY17.

*** Strong earnings growth ahead:**

We are 10% ahead of consensus on FY17 earnings and expect a 33% earnings CAGR in this upward cycle which is likely to last till FY19. We have a new Mar'16 TP of Rs 1,500 (from Rs 1,250) for SHTF set at 2.6x FY17E P/B.

<http://www.investmentguruindia.com/BrokingViews/buy-shriram-transport-finance-company-ltd-for-target-rs150000-religare-securities-ltd>

March 25, 2015

Religare 'BUY' recommendation on Shriram Transport Finance Company

Well worth the long haul

We believe SHTF is the best stock to play the CV recovery. Though growth will be modest till H1FY16, we expect a sharp improvement in disbursement, margins and credit cost once we hit the middle of the CV upcycle in late - FY16 or early-FY17, led by (1) stronger CV replacement demand, (2) a higher churn rate in used vehicles (SHTF's stronghold), and (3) lower delinquencies. We model for a 30% earnings CAGR over FY15-FY17 and retain our BUY rating on the stock with a revised Mar'16 TP of Rs 1,500.

- **Loan growth to improve materially from FY17:** Our Auto analyst expects M&HCV volumes to grow by ~20% in FY16/FY17. We believe SHTF's disbursement growth will outpace M&HCV volume growth due to narrowing vehicle discounts (currently 5-7%), an increase in LTVs (down 5-7% since FY11 peak) and higher churning of older vehicles (>5yrs) where SHTF has a dominant position.
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<http://newssuperfast.com/2015/03/25/religare-buy-reccomendation-on-shriram-transport-finance-company/>