

'MUFUG deal approvals are expected by March'

Shriram Finance managing director and chief executive Parag Sharma tells Kshipra Petkar about the company's profit run-rate outlook and asset quality trends. In the interview, he also says the regulatory approvals for MUFUG's investment are expected by March. Excerpts:

How should we look at the current quarterly profit run-rate?

This quarter's profit includes a one-off expense of about ₹196 crore due to changes in the Labour Code (Wages Act). Without that, the profit would have been higher by roughly ₹130 crore post-tax. So, that (₹2,500 crore plus about ₹crore) should be seen as the minimum quarterly run-rate going forward.

The AUM growth guidance for the full year?

Given the current

economic environment, we are confident of maintaining around 15% annual assets under management growth.

We are expecting an equity infusion by the March quarter-end. If that comes through, there could be some acceleration beyond the current run-rate.

What is the status of MUFUG's investment and board representation?

MUFUG has the right to nominate two directors, but the immediate focus is on regulatory approvals. We are

currently awaiting approvals from the Reserve Bank of India and the Competition Commission of India. We expect both approvals to come through by March.

Which segments will drive growth?

We are focusing more on new commercial vehicle financing and gold loans. Currently, gold loans are about 2% of our assets under management (AUM), roughly ₹5,000–5,600 crore. We believe this can be doubled over the next one to one-and-a-half years.

Margins have improved in December quarter. Is that sustainable?

The improvement has largely come from lower cost of funds, helped by rate cuts and our recent rating upgrade. We expect the benefit of lower funding costs to continue for a few more quarters.

What is the margin guidance going forward?

Given our increasing exposure to new vehicle financing, where yields are lower, we are guiding for a net interest margin of around 8.5% for the next financial year, which we aim to maintain.



WE ARE FOCUSING MORE ON NEW COMMERCIAL VEHICLE FINANCING AND GOLD LOANS