

BONANZA WEALTH MANAGEMENT RESEARCH



17th March 2025

Cholamandalam Invest. – BUY

CMP : Rs. 1,451.0
Target Price : Rs. 1,801.0
Upside : 24%+
Stop Loss : Rs.1,228.0 (Closing basis)

Investment Thesis

- Cholamandalam Investment & Finance Company Ltd (CIFIC) is a leading vehicle financier diversifying its product segments. A strong collection mechanism and rigorous risk-management practices provide comfort, reflected in its pristine asset quality. vehicle financing business will continue to be the mainstay for the CIFIC, home equity (LAP) has also been a significant contributor to the CIFIC growth. The home loans segment has great potential to be built into a solid portfolio, considering the expertise of the company in handling typical customer profiles along with the new consumer and SME business
- CIFIC's borrowing mix is skewed towards bank borrowings, which constitutes 45% of the total borrowing mix, and CIFIC would continue to maintain it at current levels. Of the total bank borrowings, 50-60% are EBLR linked, 10% are fixed rate, and the balance is MCLR linked. CIFIC management expects some yield improvement in the fixed-rate portfolios. The management also indicated that CIFIC will look to maintain yields in the home loan portfolio as it forays into newer geographies.
- CIFIC is confident of achieving its guided AUM growth of 25% for FY2025 driven by 15-20% disbursement growth. passenger, used vehicles and tractor finance are doing reasonably well, however Commercial Vehicle and Light Commercial Vehicle are muted. Rural demand is better vs urban demand for the vehicle finance. Strong momentum in LAP and home loans would sustain driven by expansion into newer geographies.
- CIFIC would be a key beneficiary in the lower interest rate regime as NIMs are likely to improve led by lower cost of funds as higher proportion of borrowings are on floating rates, linked to T-bill and other external benchmark and a higher share of fixed rate vehicle book.

Financials

- NII grew by 33/6% YoY/QoQ led by healthy AUM growth, and a 20bps margin improvement. NIMs stood at 7.7% vs 7.5% QoQ in Q3FY25.

Particulars	FY23	FY24	FY25E	FY26E	FY27E
NII	6,333.40	8,383.10	11,200.00	15,040.00	18,830.00
PPOP	4,449.40	5,903.90	7,970.80	10,112.20	12,524.50
PAT	2,666.00	3,423.00	4,152.00	5,457.00	6,899.00
EPS	32.50	41.20	50.00	65.00	83.00
NIM	6.90%	6.50%	6.70%	7.35%	7.50%
BVP	169.99	232.53	281.90	346.79	428.82
P/B	8.54	6.24	5.15	4.18	3.38

Stock Data

Market Cap (Rs. Mn)	12,19,870
Market Cap (\$ Mn)	14,042
Shares O/S (in Mn)	841
Avg. Volume (3 month)	19,26,840
52-Week Range (Rs.)	1,652.00 / 1,027.00

Shareholding Pattern

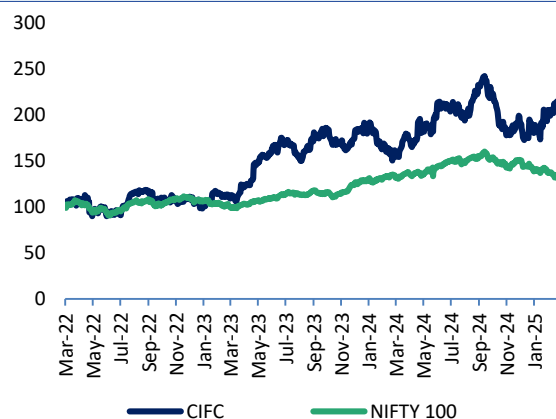
Promoters	49.93%
FIIIs	27.43%
Institutions	16.10%
Others (incl. body corporate)	6.54%

Key Ratios

Div Yield	0.14%
TTM PE	29.8x
ROE	20.2%
TTM EPS (Rs.)	48.4/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	3.9%	-8.2%	37.8%
NIFTY 100	-2.8%	-13.6%	2.0%



- In Q3FY25 non-interest income grew by 60/25% YoY/QoQ driven by healthy fee income growth of 31/3% YoY/QoQ. Opex grew by 33/7% QoQ, with employee expenses growth sharper at 11% QoQ, while other Opex growth was modest at 2% QoQ. C-I Ratio stood at 39.9% vs 41.2/40.6% YoY/QoQ. PPOP grew by 40/11% YoY/QoQ. Credit costs remained steady at 155bps vs 154bps QoQ. PAT growth was healthy at 24/13% YoY/QoQ.

Key Business Highlights

- Cholamandalam Investment & Finance Company Ltd. (CIFIC) is the financial services arm of the Murugappa Group. CIFIC commenced business as an equipment financing company and has emerged as a comprehensive financial services provider offering vehicle finance, home loans, loan against property, SME loans, Secured Business Personal Loans (SBPL), Consumer & Small Enterprises Loans (CSEL) and a variety of other financial services to customers. Chola operates from 1,577 branches across India.
- CIFIC will be introducing consumer durables, and the company has also developed its digital platform, where it is doing personal loans/business loans. At an industry level, the early delinquencies have started inching up in HCVs. It will take 3-4 quarters for things to improve in HCVs, but the improvement will be gradual. By choice, CIFIC has a small presence in HCVs and will not be much impacted.
- CIFIC maintained a strong liquidity position with cash balances of Rs. 15,159 Cr. as of December 2024. Total liquidity stood at Rs. 15,677 Cr., including undrawn sanction lines. Capital adequacy ratio was robust at 19.76%, well above the regulatory requirement of 15%. Tier I capital stood at 14.92%

Valuation

- CIFIC has demonstrated strong AUM growth of ~30.0% YoY, driven by robust disbursements across key segments, particularly vehicle finance, and loan against property. CIFIC's well-diversified portfolio, prudent risk management, and strong execution capabilities reinforce confidence in sustained growth. Health operating performance driven by healthy operational performance and increasing traction in the LAP and home loan segments. **We recommend BUY on CIFIC with a TP of Rs.1,801 valuing it at 4.2x FY27E P/B.**

Risk & Concern

- Moderation in growth momentum
- Inability to scale up new products
- Asset quality concerns

Graphs & Charts

Figure 1: NIM's

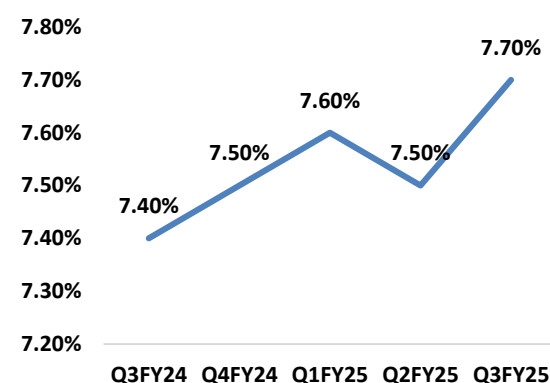


Figure 2: Branches

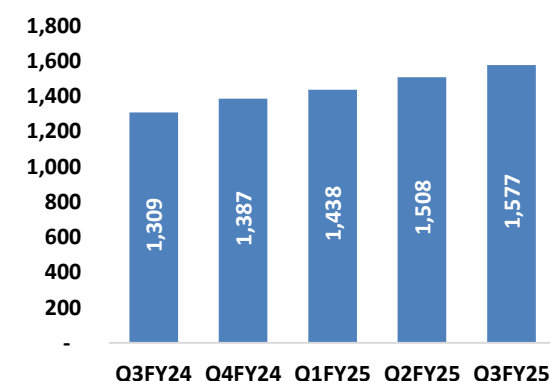


Figure 3: Asset under management / Cr.

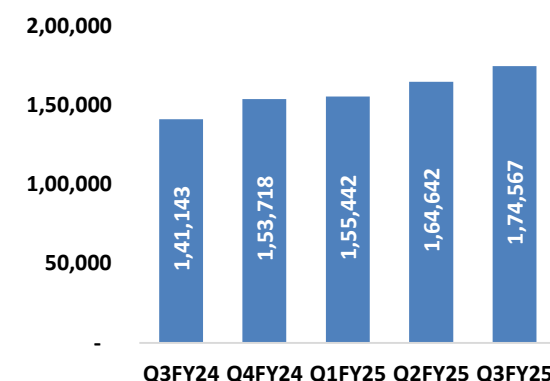
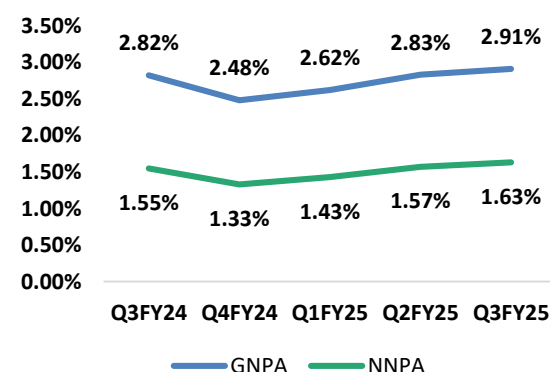


Figure 4: GNPA / NNPA



Name	Designation
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