

Cholamandalam Inv & Fin

BSE SENSEX	S&P CNX
34,617	10,614
Bloomberg	CIFC IN
Equity Shares (m)	156.3
M.Cap.(INRb)/(USDb)	257 / 4.0
52-Week Range (INR)	1728 / 986
1, 6, 12 Rel. Per (%)	13/46/34
Avg Val, INRm	354.0
Free float (%)	46.9

Financials & Valuations (INR b)

Y/E March	2018	2019E	2020E
Total Income	31.2	37.4	43.8
PPP	18.3	22.3	26.8
Adj. PAT	9.7	11.7	14.0
EPS (INR)	62.3	75.0	89.3
EPS Gr. (%)	35.5	20.4	19.1
BV (INR)	329	396	477
BVPS Gr. (%)	19	20	20
RoAA (%)	3.0	2.9	2.9
RoE (%)	20.6	20.7	20.4
Valuations			
P/E (x)	26.6	22.1	18.6
P/BV (x)	5.0	4.2	3.5
Div. Yield (%)	0.4	0.4	0.4

CMP: INR1,650
TP: INR 1,930 (+17%)
BUY

Growth surprises positively again; beginning of resolutions in LAP NPLs

- Cholamandalam Investment and Finance's (CIFC) 4QFY18 PAT grew 32% YoY to INR2.9b, a 6% beat.
- CIFC had another strong quarter on the vehicle finance front. **Disbursements grew 55% YoY and AUM grew 33% YoY. At the same time, GNPL ratio in this segment declined 74bp QoQ to 2.04%. This is lower than even the number reported on 180dps basis in FY15.**
- The home equity segment has stabilized. While disbursement growth on a YoY basis looks optically high at 48%, it is merely due to the low base effect. Otherwise, disbursements have largely been around INR8b in the past three quarters. **More importantly, there have been some resolutions under SARFAESI due to which the GNPL ratio declined 60bp YoY to 5.4%.**
- While yields were largely steady, a 40bp/70bp QoQ/YoY decline in CoF drove a similar improvement in margins. As incremental CoF is similar to on-book CoF at 8.2-8.3%, we believe there is no scope to further reduce CoF.
- Overall, CIFC generated an RoE of 23% for 4QFY18 and 21% for FY18. Over the past three years, it has delivered 25% disbursement CAGR, 19% AUM CAGR and 31% PAT CAGR.**

Valuation and view: CIFC has a well-diversified portfolio, both geographically as well as product-wise. It is expanding into newer segments like home loans and MSME financing. With strong branch expansion, focus on new products and improvement in the broader economy, we expect AUM to register high-teens CAGR over the medium term. The improvement in margins is encouraging. We increase our FY19/20 estimates by 4-5% and re-iterate **Buy with a TP of 1,930 (4x FY20E book).**

CIFC: Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY2017	FY2018E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from Operations	11,017	11,558	11,698	12,069	12,273	12,884	13,758	15,039	46,341	53,953
Interest Expenses	5,481	5,694	5,658	5,476	5,410	5,568	5,903	6,199	22,308	23,079
Net Interest Income	5,536	5,864	6,040	6,594	6,863	7,317	7,855	8,840	24,033	30,875
YoY Growth (%)	13.8	20.6	20.1	22.5	24.0	24.8	30.1	34.1	16.1	28.5
Other Op. and Other Income	68	69	60	65	76	76	76	77	262	304
Net Operating Income	5,604	5,933	6,100	6,659	6,939	7,392	7,931	8,917	24,296	31,179
YoY Growth (%)	14.3	21.0	20.5	22.6	23.8	24.6	30.0	33.9	13.4	28.3
Operating Expenses	2,264	2,527	2,588	2,754	2,777	3,089	3,237	3,793	10,133	12,895
Operating Profit	3,341	3,405	3,512	3,905	4,162	4,304	4,694	5,125	14,162	18,284
YoY Growth (%)	20.4	22.7	17.9	19.1	24.6	26.4	33.7	31.2	9.1	29.1
Provisions & Loan Losses	804	772	1,003	529	981	832	902	737	3,106	3,451
Profit before Tax	2,537	2,634	2,509	3,376	3,181	3,472	3,792	4,388	11,056	14,833
Tax Provisions	880	924	884	1,181	1,116	1,199	1,300	1,477	3,868	5,092
Net Profit	1,657	1,709	1,625	2,196	2,066	2,273	2,492	2,911	7,187	9,741
YoY Growth (%)	50.3	41.9	11.5	14.3	24.6	32.9	53.3	32.6	26.4	35.5
AUM Growth (%)	18.3	18.7	16.7	14.6	13.5	14.4	19.5	25.5	15.2	25.5
Disbursement Growth (%)	30.1	21.0	2.7	5.5	6.3	23.7	54.6	53.6	13.5	35.1
NIM on AUM (%)	7.3	7.5	7.5	7.9	7.9	8.2	8.3	8.6	7.6	8.1
Cost to Income Ratio (%)	40.4	42.6	42.4	41.4	40.0	41.8	40.8	42.5	41.7	41.4
Tax Rate (%)	34.7	35.1	35.2	35.0	35.1	34.5	34.3	33.7	35.0	34.3

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: Quarterly performance v/s our estimates and reasons for deviation (INR m)

Y/E March	4QFY18A	4QFY18E	Var (%)	Comments
Net Income	8,840	8,307	6	NIM expansion and loan growth lead to beat
<i>% Change (Y-o-Y)</i>	34.1	26.0		
Other Income	77	81		
Total Net Income	8,917	8,388	6	
Operating Expenses	3,793	3,333	14	Investing in branch expansion
Operating Profit	5,125	5,055	1	
Provisions	737	875	-16	Strong improvement in asset quality
Profit before Tax	4,388	4,180	5	
Tax Provisions	1,477	1,431	3	
Net Profit	2,911	2,749	6	PAT beat due to strong loan growth
<i>% Change (Y-o-Y)</i>	32.6	25.2		

Source: MOSL, Company

Strong pick-up in CV demand

Tailwinds to keep VF strong, HE growth to be in double digits

- AUM grew 26% YoY to INR 429b, largely driven by VF segment (+33% YoY). The management indicated a strong pick-up in CV market.
- CIFC opened 170 branches in FY18 which is similar to the branch expansion (169) in FY17. Management has guided to review further branch expansion in 2HFY19.
- Disbursement growth was at 55% YoY in VF segment in 4QFY18 (INR 68b). We think the CV segment should see continued recovery in the near-to-medium term.
- Given the cautious stance of the company on HE segment, the HE segment grew only 4% YoY to INR100b. HE segment contributes to 23% to total AUM now (vs. 28% in 4QFY17).
- We think that HE growth should pick up to double digits in FY19.

Better underwriting and collections will improve asset quality

Improvement in asset quality

- GNPL ratio declined 75bp QoQ to 2.9% driven by improved asset quality in vehicle finance (down 74bp QoQ to 2.0%)
- NNPL ratio was 1.7% (-70bp QoQ), shoring up a PCR of 44% (+680bp QoQ).
- We think coming quarters are likely to see further uptick in collection efficiency, leading to further improvement in asset quality.

Opex growth to track AUM growth in coming quarters

Operating efficiencies to kick in from coming quarters

- Management has been prudently using securitisation income to prop up margins. Hence we see a NIM expansion of 30bp QoQ to 8.63%.
- Opex growth at 38% YoY led to a CIR of 42.5% (+170bp QoQ). Management indicated that opex should track AUM growth in coming quarters.

Other highlights

- CAR came in at 18.4%, of which Tier I capital is 13.2%.

Valuation and view

- CIFC has a well-diversified portfolio, both geographically as well as product-wise. It is further expanding into newer segments like home loans and MSME financing.

- Over the past three years, CIFIC has delivered 25% disbursement CAGR, 19% AUM CAGR and 31% PAT CAGR. RoE has improved meaningfully from 16% to 21% over the same time frame.
- CIFIC's premium valuation as compared to peers reflects the optimism about the evolving growth conditions and the improved outlook for the vehicle finance business. Its valuation reflects the successful scaling up of its key businesses and the robust profitability delivered by the company through revenue diversification and higher operating efficiency.
- We increase FY19/20 EPS estimates by 4-5%. We use a Residual Income model to value the company with Rf: 7%, CoE: 12.5%, Terminal growth rate: 5.0% and arrive at a price target of INR 1,930 (4x FY20E BVPS). **BUY**.



Con-call highlights

Business Updates

- INR10b+ PAT in vehicle finance business for FY18 (implying 3.6%+ RoA as per our calculations)
- If AUM growth is 25% YoY in FY19, the company would not need any capital
- Reduction in CoF was due to refinance of some high-cost debt raised 2-3 years back. Incremental CoF is 8.2-8.3%
- Some increase in CoF in the future can be passed on and some will be absorbed
- LAP, which is currently being offered from 150-odd branches, will now be offered from 200 branches
- HCV and car segments have seen intense competition. MCV segment (7.5-16tonne) is also getting more competitive and price sensitive.
- PSU Banks are getting more aggressive in the car segment and not much in CVs
- Management mentioned that there is strong demand in 7-10 year vintage used CVs.

Asset Quality

- INR12.78b GNPL in 4Q
- Management expects many SARFAESI cases to be resolved in FY19
- 40% of total GNPL in LAP is eligible for SARFAESI

Guidance

- Opex should grow in line with AUM growth going forward
- Management plans to grow slow on branch expansion in 1HFY19
- The company can potentially increase share of securitized assets to 20-25% of borrowings
- Management expects 15-20% disbursement growth in LAP in FY19

Others

- Capacity utilization of transporter has improved. Freight has also slightly increased. So that should absorb any hike in diesel price.
- East and North India have been faster growing geographies for the CV industry
- According to management, growth in CV industry happening without any dilution of underwriting standards

Exhibit 2: We marginally increase estimates to factor in better AUM growth

INR B	Old Est.		New Est.		% Change	
	FY19	FY20	FY19	FY20	FY19	FY20
NII (incl. Sec. Inc.)	34.9	40.9	37.4	43.8	7.1	7.1
Total Income	35.8	42.1	37.4	43.8	4.5	4.2
Operating Expenses	14.1	15.7	15.1	17.1	6.8	8.6
Operating Profits	21.7	26.4	22.3	26.8	3.0	1.6
Provisions	4.5	5.8	4.5	5.5	-2.1	-4.7
PBT	17.1	20.6	17.9	21.3	4.3	3.4
Tax	5.9	7.1	6.1	7.3	3.8	2.9
PAT	11.2	13.5	11.7	14.0	4.6	3.6
RoA on AUM	3.0	3.1	2.9	2.9		
RoE	19.8	20.0	20.7	20.4		
AUM	492.0	581.5	515.0	612.3	4.7	5.3

Source: MOSL, Company

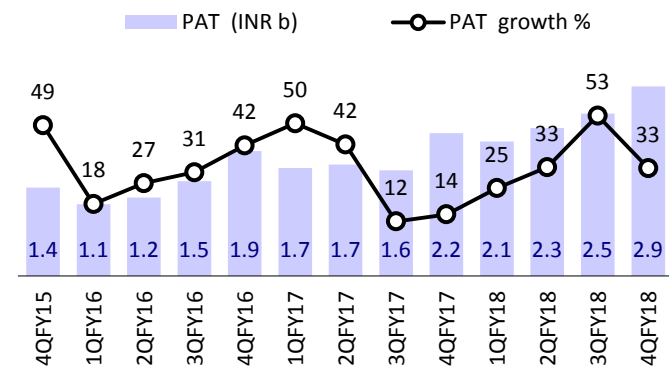
Exhibit 3: Quarterly Snapshot

	FY17				FY18				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)										
Interest Income	11,017	11,558	11,698	12,069	12,273	12,884	13,758	15,039	9	25
Interest Expenses	5,481	5,694	5,658	5,476	5,410	5,568	5,903	6,199	5	13
Net Interest Income	5,536	5,864	6,040	6,594	6,863	7,317	7,855	8,840	13	34
Other income	68	69	60	65	76	76	76	77	2	19
Total Income	5,604	5,933	6,100	6,659	6,939	7,392	7,931	8,917	12	34
Operating Expenses	2,264	2,527	2,588	2,754	2,777	3,089	3,237	3,793	17	38
Employee	718	1,094	1,000	1,215	1,149	1,297	1,281	1,550	21	28
Others	1,546	1,433	1,589	1,540	1,628	1,792	1,956	2,243	15	46
Operating Profits	3,341	3,405	3,512	3,905	4,162	4,304	4,694	5,125	9	31
Provisions & Loan losses	804	772	1,003	529	981	832	902	737	-18	39
PBT	2,537	2,634	2,509	3,376	3,181	3,472	3,792	4,388	16	30
Taxes	880	924	884	1,181	1,116	1,199	1,300	1,477	14	25
PAT	1,657	1,709	1,625	2,196	2,066	2,273	2,492	2,911	17	33
Asset Quality (%)										
Gross NPAs (%)	3.6	3.5	3.8	4.7	4.7	4.5	3.7	2.9		
Net NPAs (%)	2.1	2.0	2.3	3.2	3.2	2.9	2.3	1.7		
PCR (Calculated, %)	41.7	42.9	39	32	31.9	35.2	37	44		
Ratios (%)										
Cost to Income	40.4	42.6	42.4	41.4	40.0	41.8	40.8	42.5		
Provision to operating profit	24.1	22.7	28.5	13.5	23.6	19.3	19.2	14.4		
Tax Rate	34.7	35.1	35.2	35.0	35.1	34.5	34.3	33.7		
Total CAR	18.7	18.7	19.2	18.6	19.4	19.3	18.5	18.4		
Margins Reported - Cumulative (%)										
Cost of Funds	9.4	9.3	9.1	8.9	8.9	8.6	8.6	8.2	(32)	(68)
NIMs	7.3	7.5	7	8	7.9	8.2	8	9	31	74
Business (INR b)										
On book Loans	267	274	283	279	284	308	327	366	12	31
Off book (Securitisation)	41	45	44	63	66	57	64	62	-2	0
Total Borrowings	239	248	249	242	247	269	283	319	13	32
AUM Mix (%)										
Vehicle Finance	68	67	68	69	70	70	72	73		
Home equity	30	30	29	28	27	26	25	23		
Others	2	3	3	3	3	3	3	3		
Disbursements Details (INR b)										
Total	46	44	44	52	48	55	68	80	18	54
Vehicle Finance	33	32	35	44	38	43	56	68		
Home equity	10	9	6	5	7	8	8	8	1	48
Others	2	3	3	3	3	4	4	4	7	46
Total Borrowing Mix (%)										
Bank Loans	51.7	43.6	35.7	34.6	34.1	33.5	33.3	45.5		
CP	10.3	14.0	15.7	11.2	11.1	12.1	12.7	7.2		
Debentures	27.0	31.9	37.0	42.5	42.3	42.3	42.9	36.4		
Sub Debt & PDI	10.9	10.5	11.6	11.7	12.5	12.0	11.2	10.9		
Other Details										
Branches	534	637	700	703	703	725	858	873		

Source: Company, MOSL

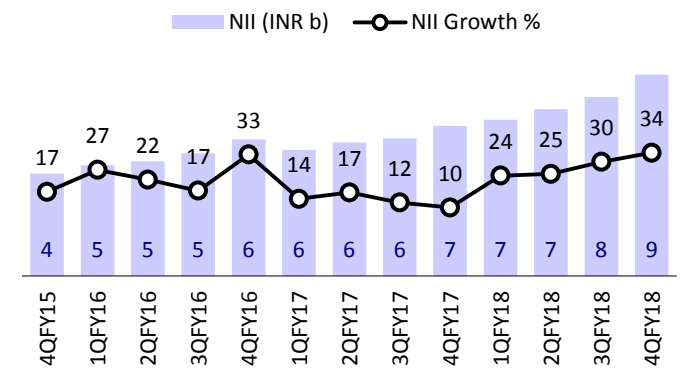
Story in charts

Exhibit 4: PAT growth robust



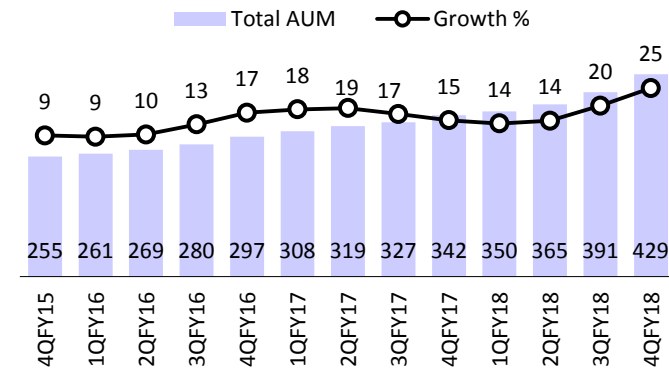
Source: Company, MOSL

Exhibit 5: NII at a multi-quarter high



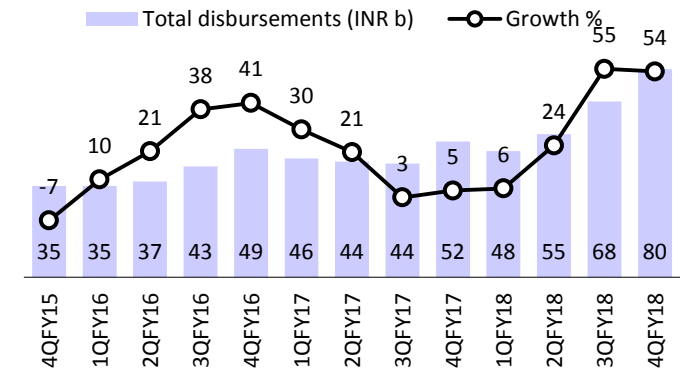
Source: Company, MOSL

Exhibit 6: AUM growth picks up smartly



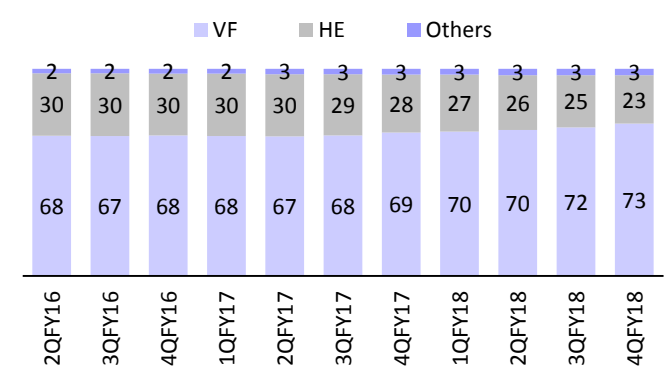
Source: Company, MOSL

Exhibit 7: Turnaround in disbursement growth



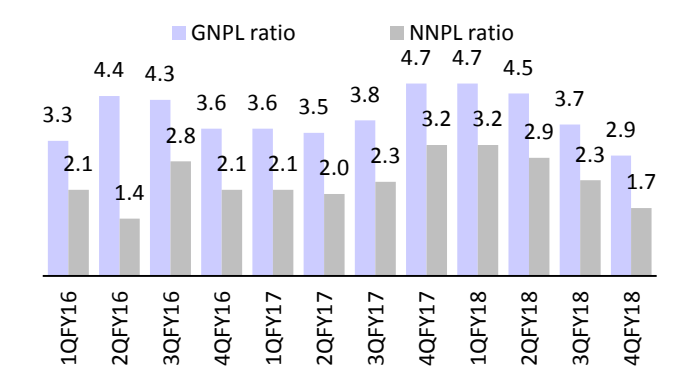
Source: Company, MOSL

Exhibit 8: Trend in AUM mix (%)



Source: Company, MOSL

Exhibit 9: Asset quality improvement (%)



Source: Company, MOSL; Company moved to 90dpd in 4QFY17

Exhibit 10: Financials: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
				FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ICICIBC*	Buy	284	27.0	17.6	10.0	7.1	1.2	1.1	1.0	0.9	1.3	1.6	7.2	11.1	14.3
HDFCB	Buy	1,936	75.6	28.6	24.4	20.5	4.7	3.7	3.2	1.8	1.8	1.8	17.9	16.9	16.7
AXSB	Buy	505	19.6	39.6	20.5	11.5	1.9	1.8	1.5	0.5	0.8	1.3	5.1	9.0	14.3
KMB*	Buy	1,167	33.6	35.7	28.1	21.5	4.7	4.0	3.4	1.6	1.8	1.8	11.3	13.5	14.9
YES	Buy	323	10.8	17.7	13.8	10.7	2.9	2.4	2.0	1.7	1.7	1.7	17.4	19.1	20.8
IIB	Buy	1,877	17.0	31.2	21.5	17.6	4.8	4.1	3.2	1.8	2.2	2.3	16.5	20.6	20.6
IDFC Bk	Neutral	48	2.5	15.9	14.8	12.4	1.1	1.0	0.9	0.9	0.8	0.9	6.8	6.9	7.8
FB	Buy	97	2.8	17.5	14.4	11.4	1.5	1.4	1.3	0.8	0.9	0.9	9.6	10.2	11.7
DCBB	Neutral	194	0.9	24.4	19.9	16.9	2.3	2.1	1.9	0.9	0.9	0.9	10.9	11.1	11.7
JKBK	Buy	59	0.5	6.7	5.9	4.1	0.6	0.6	0.5	0.5	0.6	0.7	9.1	9.9	12.9
SIB	Buy	26	0.7	13.5	6.2	4.8	1.0	0.8	0.7	0.4	0.9	1.0	6.9	13.7	15.7
Equitas	Buy	149	0.8	132.6	21.2	14.0	2.2	2.0	1.8	0.4	1.7	1.9	1.7	10.0	13.6
RBL	Buy	512	3.1	33.3	23.5	17.5	3.3	3.0	2.6	1.2	1.3	1.3	11.9	13.2	15.8
Private Aggregate															
SBIN (cons)*	Buy	241	32.7	73.1	11.0	6.4	0.8	0.8	0.7	0.0	0.3	0.7	-0.3	5.7	12.5
PNB	Buy	93	3.9	-16.4	2,754	6.5	0.6	0.6	0.5	-0.2	0.0	0.4	-3.0	0.0	7.7
BOI	Neutral	101	3.1	-5.4	16.0	8.4	0.6	0.5	0.5	-0.4	0.2	0.3	-7.7	3.0	5.5
BOB	Buy	142	5.7	41.6	15.9	9.1	0.9	0.8	0.8	0.1	0.3	0.5	2.0	5.0	8.4
CBK	Neutral	258	2.9	-106.8	11.8	4.2	0.6	0.6	0.5	0.0	0.2	0.6	-0.4	4.1	10.8
UNBK	Neutral	92	1.7	-2.4	12.2	5.4	0.5	0.4	0.4	-0.8	0.2	0.4	-16.0	3.4	7.0
INBK	Buy	308	2.2	10.1	7.4	6.5	1.0	0.9	0.8	0.6	0.7	0.7	9.7	12.3	12.7
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,853	45.9	41.4	33.9	28.8	6.7	5.3	4.7	1.9	1.9	1.9	18.3	17.5	17.3
LICHF	Neutral	545	4.2	13.8	13.0	10.9	2.2	1.9	1.7	1.4	1.3	1.3	16.8	15.6	16.4
IHFL	Buy	1,330	8.4	14.7	12.2	10.1	4.4	3.8	3.2	3.5	3.3	3.1	30.7	33.2	34.3
PNBHF	Buy	1,357	3.4	26.7	20.1	15.4	3.7	3.2	2.8	1.5	1.4	1.3	14.6	17.0	19.2
GRHF	Neutral	672	3.7	67.8	58.2	48.3	19.9	16.5	13.7	2.4	2.4	2.4	32.6	31.0	31.0
REPCO	Buy	611	0.6	18.6	15.7	13.3	2.9	2.5	2.1	2.2	2.3	2.3	16.7	16.9	17.0
DEWH	Buy	585	2.7	15.7	12.2	9.7	2.1	1.8	1.6	1.2	1.3	1.3	14.0	15.9	17.5
Housing Finance															
SHTF	Buy	1,622	5.4	20.9	14.7	12.1	2.9	2.5	2.1	2.6	3.2	3.4	14.7	18.3	19.0
MMFS	Buy	510	4.8	36.8	26.5	22.2	3.4	3.2	2.9	1.9	2.2	2.3	10.9	12.5	13.8
BAF	Buy	1,917	16.4	42.8	31.1	23.2	6.7	5.7	4.7	3.4	3.6	3.7	19.8	19.9	22.3
CIFC	Buy	1,650	3.9	26.5	25.3	19.7	5.0	4.3	3.6	3.0	2.6	3.0	20.6	18.2	19.8
SCUF	Buy	2,352	2.3	20.4	17.0	14.1	2.7	2.4	2.1	3.2	3.4	3.5	14.2	15.1	15.9
LTFH	Buy	167	5.0	25.2	18.1	14.1	2.7	2.4	2.1	1.6	2.0	2.2	13.1	14.0	15.9
MUTH	Neutral	443	2.6	10.1	9.9	8.9	2.3	1.9	1.7	5.7	5.5	5.5	24.5	20.9	20.0
CAFL	Buy	633	0.9	18.5	14.2	11.1	2.4	2.1	1.8	1.7	1.8	1.8	13.7	15.6	17.2
Asset Finance															

UR=Under Review*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: MOSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Interest Income	24,316	30,583	34,600	39,163	43,687	52,981	62,965	74,197
Interest Expenses	14,110	17,711	19,604	20,508	22,308	23,079	28,389	33,793
Net Interest Income	10,206	12,872	14,996	18,655	21,379	29,903	34,576	40,404
Change (%)	46.2	26.1	16.5	24.4	14.6	39.9	15.6	16.9
Total Income	11,443	14,918	17,308	21,429	24,296	31,179	37,357	43,848
Change (%)	47.0	30.4	16.0	23.8	13.4	28.3	19.8	17.4
Total Operating Expenses	5,696	6,582	7,489	8,449	10,133	12,895	15,051	17,066
Change (%)	30.4	15.6	13.8	12.8	19.9	27.3	16.7	13.4
Employee Expenses	1,531	1,875	2,217	2,539	4,027	5,277	6,332	7,282
Business Origination Expenses	1,744	1,973	1,870	2,258	1,784	2,609	3,052	3,449
Other Operating Expenses	2,421	2,734	3,402	3,652	4,323	5,010	5,667	6,336
Operating Profit	5,747	8,335	9,819	12,980	14,162	18,284	22,306	26,781
Change (%)	68.2	45.0	17.8	32.2	9.1	29.1	22.0	20.1
Total Provisions	1,243	2,833	3,247	4,272	3,106	3,451	4,452	5,513
% of Operating Profit	21.6	34.0	33.1	32.9	21.9	18.9	20.0	20.6
PBT	4,504	5,502	6,572	8,708	11,056	14,833	17,855	21,268
Tax Provisions	1,443	1,862	2,221	3,023	3,868	5,092	6,129	7,301
PAT	3,062	3,640	4,352	5,685	7,187	9,741	11,725	13,967
Change (%)	77.4	18.9	19.5	30.6	26.4	35.5	20.4	19.1
Proposed Dividend	475	501	503	703	782	938	1,017	1,095

Balance Sheet								(INR m)
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	1,432	1,432	1,437	1,562	1,562	1,562	1,562	1,562
Reserves & Surplus	18,216	21,514	30,296	35,012	41,563	49,938	60,444	73,097
Net Worth for Equity Shareholders	19,648	22,947	31,733	36,574	43,127	51,502	62,008	74,661
Borrowings	152,890	180,932	194,752	225,762	242,068	319,023	373,392	440,888
Change (%)	33.6	18.3	7.6	15.9	7.2	31.8	17.0	18.1
Total Liabilities	172,538	203,879	226,486	262,336	285,193	370,523	435,398	515,547
Investments	2,245	824	675	666	2,385	3,190	3,828	4,593
Change (%)	263.9	-63.3	-18.1	-1.3	258.3	33.7	20.0	20.0
Loans	166,802	194,973	222,422	259,732	285,124	372,012	438,544	516,860
Change (%)	35.4	16.9	14.1	16.8	9.8	30.5	17.9	17.9
Net Fixed Assets	707	729	683	1,113	1,402	1,608	2,163	2,363
Total Assets	172,538	203,879	226,486	262,336	285,197	370,525	435,398	515,547

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)								
Avg. Yield on Loans	16.8	16.9	16.6	16.2	16.0	16.1	15.5	15.5
Avg Cost of Funds	10.6	10.6	10.4	9.8	9.5	8.2	8.2	8.3
Int. Spread on Financing Portfolio	6.2	6.3	6.1	6.5	6.5	7.9	7.3	7.2
NIM (on AUM)	6.6	6.7	6.7	7.5	7.6	8.1	7.9	7.8
NIM (on loans)	7.0	7.1	7.2	7.7	7.8	9.1	8.5	8.5

Profitability Ratios (%)

RoE	18.1	17.1	15.9	16.6	18.0	20.6	20.7	20.4
RoA	2.0	1.9	2.0	2.3	2.6	3.0	2.9	2.9
Int. Expended / Int.Earned	58.0	57.9	56.7	52.4	51.1	43.6	45.1	45.5
Other Inc. / Net Income	5.9	5.6	5.1	3.4	2.2	1.9	0.0	0.0

Efficiency Ratios (%)

Op. Exps. / Net Income	49.8	44.1	43.3	39.4	41.7	41.4	40.3	38.9
Empl. Cost/Op. Exps.	26.9	28.5	29.6	30.1	39.7	40.9	42.1	42.7

Asset-Liability Profile (%)

Loans/Borrowings Ratio	109.1	107.8	114.2	115.0	117.8	116.6	117.4	117.2
Net NPAs to Net Adv.	0.2	0.8	2.0	2.1	3.2	1.8	1.6	1.6
Assets/Equity	8.8	8.9	7.1	7.2	6.6	7.2	7.0	6.9

Valuations

	2013	2014	2015	2016	2017	2018E	2019E	2020E
Book Value (INR)	137.2	160.2	203.1	233.9	275.8	329.3	396.5	477.4
BV Growth (%)	28.4	16.7	26.8	15.2	17.9	19.4	20.4	20.4
Price-BV (x)	12.1	10.3	8.2	7.1	6.0	5.0	4.2	3.5
EPS (INR)	21.4	25.4	30.3	36.4	46.0	62.3	75.0	89.3
EPS Growth (%)	64.4	18.8	19.2	20.1	26.3	35.5	20.4	19.1
Price-Earnings (x)	77.5	65.2	54.7	45.5	36.0	26.6	22.1	18.6
Dividend per share	3.5	3.5	3.5	4.5	5.0	6.0	6.5	7.0
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4

E: MOSL Estimates

Corporate profile: Cholamandalam Investment and Finance

Company description

CIFC was founded in 1978 as the financial services arm of the Murugappa Group of companies. The promoters have ~53% stake in the company. CIFC commenced its business as an equipment financing company and has now emerged as a comprehensive financial services provider offering vehicle finance, home loans, home equity loans, SME loans, investment advisory services, stock broking other financial services to customers. As of March 2018, the company had an outstanding AUM of over INR400b.

Exhibit 19: Sensex rebased

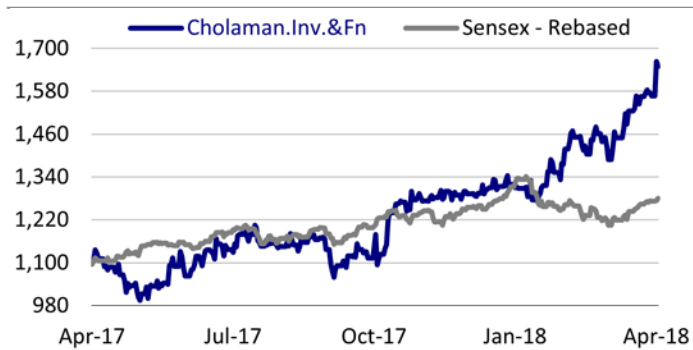


Exhibit 11: Shareholding pattern (%)

	Mar-18	Dec-17	Mar-17
Promoter	53.1	53.1	53.1
DII	16.5	17.1	15.9
FII	20.3	19.3	20.7
Others	10.2	10.5	10.3

Note: FII Includes depository receipts

Exhibit 12: Top holders

Holder Name	% Holding
CARTICA CAPITAL LTD	5.7
ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED	3.3
OPPENHEIMER DEVELOPING MARKETS FUND	3.1
HDFC TRUSTEE COMPANY LIMITED A/C HDFC	2.8
SBI MAGNUM MIDCAP FUND	2.8

Exhibit 13: Top management

Name	Designation
M B N Rao	Chairman
N Srinivasan	Vice Chairman
Vellayan Subbiah	Managing Director
P Sujatha	Company Secretary

Exhibit 14: Directors

Name	Name
Nalin Mansukhlal Shah*	M M Murugappan*
V Srinivas Rangan	Bharati Rao*

*Independent

Exhibit 15: Auditors

Name	Type
Deloitte Haskins & Sells	Statutory
R Sridharan & Associates	Secretarial Audit
S R Batliboi & Associates LLP	Statutory

Exhibit 16: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	62.3	75.7	-17.7
FY19	75.0	92.6	-19.0
FY20	89.3	107.0	-16.5

NOTES

Explanation of Investment Rating	Expected return (over 12-month)
Investment Rating	
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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