

Cholamandalam Investment & Finance Company Ltd.



Cholamandam Investment & Finance Company Ltd.

VF strong; HE recovering

CMP INR 1443	Target INR 1941	Potential Upside 35%	Market Cap (INR Mn) 224,973	Recommendation BUY	Sector BFSI
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Result highlights

Chola reported disbursements of INR 70.2 bn during the quarter, +44.5% yoy/-12.4% qoq. Disbursements in vehicle finance/VF continued to remain on a strong trajectory, growing 48.3% yoy, helped by demand for HCVs, LCVs and mini-LCVs. Home equity/HE disbursements at INR 9.4 bn grew 27% yoy/16.5% qoq. The management is of the view that the normalcy is starting to return in the small and medium enterprises sector and hence the strong disbursements growth. Guidance is for HE disbursements growth to stay strong (>27%). NII at INR 8 bn grew ~15% yoy with overall NIMs dropping on account of drop in yields. On yoy basis, under IND-AS, NIMs on the VF segment have dropped by 130 bps to 6.9% while the drop on HE segment was 50 bps to 4.2%. While we attribute drop in HE NIMs to extreme competitive nature of the product, drop in VF NIMs has been a function of change in product mix in favor of HCVs and also due to fee income reclassification under IND-AS. Opex at INR 2.6 bn grew 12% yoy (under IND-AS), resulting in improved operational efficiency, partially through scale up of HE business within the existing branch set-up. PAT at INR 2.9 bn grew 36% yoy. Overall asset quality was stable with GNPA at 2.99%, +5 bps qoq and NNPA at 1.71%, +5 bps qoq. CAR was 18.2%.

MARKET DATA

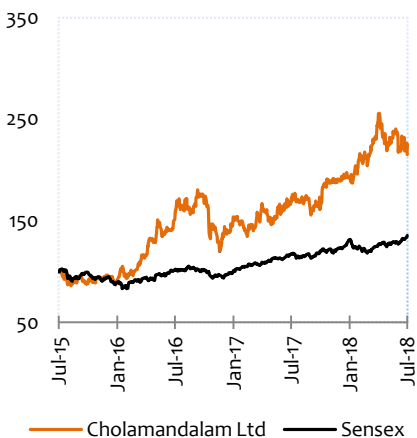
Shares outs (Mn)	156
EquityCap (INR Mn)	1563
Mkt Cap (INR Mn)	224973
52 Wk H/L (INR)	1761/1053
Volume Avg (3m K)	342
Face Value (INR)	10
Bloomberg Code	CIFC IN

KEY FINANCIALS

Particulars (INR Mn)	FY15	FY16	FY17	FY18E	FY19E	FY20E	FY21E
NII	14,368.3	17,921.0	20,241.0	25,313.5	32,853.8	40,409.9	48,363.3
PPOP	9,819.4	12,980.0	14,162.1	18,284.0	23,856.0	30,004.6	36,246.9
PAT	4,351.6	5,684.5	7,187.4	9,741.2	12,744.6	16,121.5	19,581.4
EPS (Rs.)	30.3	36.4	46.0	62.3	81.5	103.1	125.3
BVPS (Rs.)	221.0	234.2	276.0	329.4	400.7	490.9	600.4
P/E (x)	19.4	19.6	21.0	23.2	17.7	14.0	11.5
P/BV (x)	2.7	3.0	3.5	4.4	3.6	2.9	2.4

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Strong VF disbursements reflect the CV up-cycle sentiment; axle norms and overloading relaxation impact may not be much given the product profile

The company reported strong disbursements growth in the VF segment, led by 116% growth in the HCV segment, 55.4% growth in LCVs, 31% growth in SCVs and 85% growth in CE. Used vehicles (older + refinance) together grew by 25% yoy. Owing to higher growth in HCVs, HCV's share in the total VF book has increased by ~200 bps to 19% while that of refinance and older vehicles has remained unchanged at 13% each. Regarding axle norms, the company's interactions with manufacturers suggest that the implementation is likely to take time and will mostly be applicable prospectively. Despite the impact of axle norms, should it materialize, the company has guided for 20% growth in the VF business. Further, the company will not be as much impacted by relaxation of overloading norms in certain states as they are mostly applicable to long haul vehicles whereas Chola focuses more on the smaller ones like trailers, small/light CVs. We continue to factor in 20% CAGR in VF disbursements over FY18-20E.

Home equity returning to normalcy post slowdown

HE disbursements at INR 9.4 bn grew 27% yoy with share of home loans in the total HE AUM increasing by 300 bps qoq to 84%. Home loans at INR 86.3 bn grew 3.6% yoy while commercial loans at INR 9.3 bn grew 38% yoy. Total HE AUM at INR 102.8 bn grew 7.3% yoy. Post the conscious decision to slowdown the HE book on account of GST/demon related disturbances, last 3 quarters have seen robust disbursements growth in this segment. Reversion to normalcy in the SME segment is also confirmed by the management which has guided for continued strong disbursements growth. As against our earlier estimate of 12% annual disbursements growth over FY18-20, we are now factoring in 20% annual growth. Scale up of HE business within the existing branch network and expansion in tier 3 / 4 cities will be the key drivers for HE growth.

Overall, we expect AUM to growth at CAGR of 22% over FY18-20.

Overall asset quality; stable HE improves

Chola reported over GNPA of 2.99% (+9 bps qoq) and NNPA of 1.71% (+1 bp qoq). Segment wise, VF GNPA at 2.18% were 14 bps higher qoq while HE continued to reported improving asset quality trend (GNPA at 5.15%, down 21 bps qoq). The company has acquired >45 properties under SARFAESI and is liquidating MoM on receipt of right price/options. As outlined in our thesis note, SARFAESI continues to be an effective tool for HE recovery/asset quality improvement. Sticking to our belief regarding normalization of LAP/HE stress coupled with CV up-cycle, we expect overall GNPA to improve to 2.75% by Mar'19 / 2.65% by Mar'20 along with a PCR of 45%. As of Q1FY19, PCR stands at ~43% (+964 bps yoy / +134 bps qoq). Cacl. Credit costs during the quarter were 84 bps (annualized). We are factoring in 1.1% for FY19/20.

MARKET INFO

SENSEX	37337
NIFTY	11278

SHARE HOLDING PATTERN (%)

Particulars	Jun 18	Mar 18	Dec 17
Promoters	53.06	53.06	53.07
FII's	20.68	20.25	19.31
DII's	16.07	16.53	17.1
Others	10.2	10.15	10.53
Total	100	100	100

ANALYST

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IND-AS impact:

Q1FY19 was the first quarter of reporting under IND-AS.

- Origination cost, which is now netted off against the interest income/income from operations line items impacted NIMs and to a similar extent, opex as well. As a result, NIMs dipped while opex/AUM improved. Management attributes 50 bps improvement in opex ratios to their own efforts while rest being driven purely by line item reclassification under IND-AS (origination cost netted against interest income as per EIR).

- VF NIMs at 6.9% were down 130 bps yoy. As per the management ~120 bps dip was on account of transition to IND-AS. Other than that, remaining compression in NIMs was on account of change in product mix towards low yielding assets (HCVs).

- Total adjustment charge to FY18 PBT was INR 0.8 bn.

VALUATION

Chola continued to display strong growth traction in the VF segment with HE picking up rapidly. Accretion to equity remained robust as well with PAT during the quarter growing by 36% yoy. Despite the ever increasing competitive nature of VF and HE segments, we expect Chola's industry positioning to yield AUM CAGR of 22% over FY19/20. This coupled with improving operating leverage and asset quality should translate into strong earnings growth. Over 18-20, we expect PAT CAGR of 29%. We estimate ROA of 2.9%/3% and ROE of 22.3%/23.1% for FY19/20. Current capital positioning (tier I at 13.4%, CAR at 18.2%) is comfortable. **We value the stock at 4.5x FY20E ABVPS of INR 431.3 (TP = INR 1,941).**

Q1FY19 Result (INR Mn)					
Income Statement	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Income from operations	15,972	12,963	15,625	23.2%	2.2%
Interest expense	8,018	6,326	7,198	26.7%	11.4%
Net interest income	7,954	6,637	8,427	19.8%	-5.6%
Total income	7,954	6,637	8,427	19.8%	-5.6%
- Employee costs	1,413	1,167	1,558	21.1%	-9.3%
- Depreciation	127	97	149	30.9%	-15.1%
- Other operating expenses	1,044	1,051	2,072	-0.6%	-49.6%
Operating expenses	2,584	2,315	3,779	11.6%	-31.6%
Pre-provision profit	5,370	4,322	4,647	24.3%	15.6%
Provisions	983	1,080	116	-9.0%	749.2%
Profit before tax	4,388	3,242	4,532	35.3%	-3.2%
Tax expense	1,535	1,145	1,531	34.1%	0.3%
Net profit	2,853	2,097	3,001	36.0%	-4.9%

Source: Company, KRChoksey Research

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Quarterly performance (INR Bn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
AUM break up										
Vehicle Finance	201.0	208.2	214.8	221.6	236.3	243.9	257.0	280.2	315.1	333.5
% of total loans	67.8%	67.5%	67.4%	67.8%	69.2%	69.7%	70.4%	71.7%	73.5%	74.0%
yoy growth	14.0%	16.8%	18.1%	17.3%	17.6%	17.2%	19.6%	26.4%	33.3%	36.7%
qoq growth	6.4%	3.6%	3.2%	3.2%	6.6%	3.2%	5.4%	9.0%	12.4%	5.9%
Home Equity	88.5	92.5	95.7	96.3	95.9	95.8	96.3	98.0	100.0	102.8
% of total loans	29.9%	30.0%	30.0%	29.5%	28.1%	27.4%	26.4%	25.1%	23.3%	22.8%
yoy growth	21.6%	20.4%	18.3%	13.5%	8.4%	3.6%	0.7%	1.8%	4.2%	7.3%
qoq growth	4.4%	4.5%	3.5%	0.6%	-0.4%	-0.1%	0.5%	1.7%	2.0%	2.8%
Others	7.0	7.6	8.4	9.0	9.4	10.2	11.6	12.6	13.8	14.7
% of total loans	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.2%	3.2%	3.2%	3.3%
yoy growth	30.8%	37.0%	44.7%	41.8%	35.1%	35.0%	37.4%	39.7%	45.9%	43.7%
qoq growth	10.3%	8.2%	11.4%	6.6%	5.1%	8.1%	13.4%	8.4%	9.7%	6.5%
Total managed assets	296.5	308.3	318.9	326.9	341.7	350.0	364.9	390.7	428.8	451.0
On-book	254.9	267.2	274.4	282.8	279.0	283.7	307.9	326.9	366.5	392.1
% of total AUM	86.0%	86.7%	86.0%	86.5%	81.7%	81.1%	84.4%	83.7%	85.5%	87.0%
Assigned	41.6	41.1	44.5	44.0	62.6	66.3	57.0	63.9	62.3	58.8
% of total AUM	14.0%	13.3%	14.0%	13.5%	18.3%	18.9%	15.6%	16.3%	14.5%	13.0%
HE AUM break-up										
Home loans	79.7	83.2	85.2	84.7	84.4	83.4	79.0	79.4	81.0	86.3
yoy growth	23.0%	21.7%	19.6%	13.5%	6.0%	0.2%	-7.2%	-6.3%	-4.1%	3.6%
qoq growth	6.7%	4.5%	2.3%	-0.5%	-0.4%	-1.3%	-5.2%	0.5%	2.0%	6.6%
As % of total	90.0%	90.0%	89.0%	88.0%	88.0%	87.0%	82.0%	81.0%	81.0%	84.0%
Commercial Loans	6.2	6.5	6.7	6.7	6.7	6.7	7.7	7.8	8.0	9.2
yoy growth	70.2%	68.6%	38.0%	32.4%	8.4%	3.6%	15.1%	16.3%	19.1%	37.9%
qoq growth	21.8%	4.5%	3.5%	0.6%	-0.4%	-0.1%	14.9%	1.7%	2.0%	15.7%
As % of total	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	9.0%
Others	2.7	2.8	3.8	4.8	4.8	4.8	9.6	10.8	11.0	7.2
yoy growth	-39.2%	-39.8%	-21.1%	-5.4%	80.6%	72.7%	151.7%	123.9%	129.3%	50.2%
qoq growth	-47.8%	4.5%	38.0%	25.8%	-0.4%	-0.1%	101.1%	11.9%	2.0%	-34.6%
As % of total	3.0%	3.0%	4.0%	5.0%	5.0%	5.0%	10.0%	11.0%	11.0%	7.0%
Total Home Equity	88.5	92.5	95.7	96.3	95.9	95.8	96.3	98.0	100.0	102.8
On-book	68.7	72.0	72.4	71.1	66.9	66.0	69.4	70.1	71.2	72.0
% of total HE AUM	77.6%	77.8%	75.7%	73.8%	69.7%	68.9%	72.1%	71.5%	71.2%	70.1%
Assigned + securitised	19.8	20.5	23.3	25.2	29.0	29.8	26.9	27.9	28.8	30.7
% of total HE AUM	22.4%	22.2%	24.3%	26.2%	30.3%	31.1%	27.9%	28.5%	28.8%	29.9%

Source: Company, KRChoksey Research

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Quarterly performance (INR Bn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
VF AUM break-up										
HCV	28.1	33.3	34.4	35.5	40.2	41.5	43.7	50.4	59.9	63.4
% of total	14.0%	16.0%	16.0%	16.0%	17.0%	17.0%	17.0%	18.0%	19.0%	19.0%
yoy growth	22.7%	55.7%	45.3%	34.1%	42.8%	24.5%	27.1%	42.2%	49.0%	52.8%
qoq growth	6.4%	18.4%	3.2%	3.2%	13.3%	3.2%	5.4%	15.4%	18.7%	5.9%
LCV	50.3	50.0	49.4	51.0	52.0	53.7	56.5	61.6	69.3	73.4
% of total	25.0%	24.0%	23.0%	23.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
yoy growth	9.6%	7.8%	8.6%	12.4%	3.5%	7.4%	14.4%	20.9%	33.3%	36.7%
qoq growth	10.8%	-0.6%	-1.1%	3.2%	2.0%	3.2%	5.4%	9.0%	12.4%	5.9%
Car & MUV	32.2	33.3	36.5	37.7	40.2	41.5	43.7	47.6	50.4	53.4
% of total	16.0%	16.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	16.0%	16.0%
yoy growth	21.6%	24.6%	25.5%	24.7%	24.9%	24.5%	19.6%	26.4%	25.5%	28.7%
qoq growth	6.4%	3.6%	9.6%	3.2%	6.6%	3.2%	5.4%	9.0%	5.8%	5.9%
3 Wheeler & SCV	14.1	12.5	12.9	13.3	14.2	14.6	15.4	16.8	18.9	20.0
% of total	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
yoy growth	-0.3%	-12.4%	1.2%	0.6%	0.8%	17.2%	19.6%	26.4%	33.3%	36.7%
qoq growth	6.4%	-11.2%	3.2%	3.2%	6.6%	3.2%	5.4%	9.0%	12.4%	5.9%
Refinance	30.2	29.2	30.1	31.0	30.7	31.7	36.0	39.2	41.0	43.4
% of total	15.0%	14.0%	14.0%	14.0%	13.0%	13.0%	14.0%	14.0%	13.0%	13.0%
yoy growth	14.0%	9.0%	10.2%	9.5%	1.9%	8.8%	19.6%	26.4%	33.3%	36.7%
qoq growth	6.4%	-3.3%	3.2%	3.2%	-1.0%	3.2%	13.5%	9.0%	4.4%	5.9%
Older Vehicles	26.1	27.1	30.1	28.8	30.7	31.7	36.0	39.2	41.0	43.4
% of total	13.0%	13.0%	14.0%	13.0%	13.0%	13.0%	14.0%	14.0%	13.0%	13.0%
yoy growth	14.0%	16.8%	27.2%	17.3%	17.6%	17.2%	19.6%	36.2%	33.3%	36.7%
qoq growth	6.4%	3.6%	11.1%	-4.2%	6.6%	3.2%	13.5%	9.0%	4.4%	5.9%
Tractor	20.1	18.7	19.3	19.9	21.3	22.0	18.0	19.6	22.1	23.3
% of total	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%	7.0%	7.0%	7.0%	7.0%
yoy growth	14.0%	5.1%	6.3%	5.6%	5.8%	17.2%	-6.9%	-1.7%	3.7%	6.3%
qoq growth	6.4%	-6.8%	3.2%	3.2%	6.6%	3.2%	-18.1%	9.0%	12.4%	5.9%
CE	0.8	4.2	4.3	4.4	7.1	7.3	7.7	8.4	12.6	13.3
% of total	0.4%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%
yoy growth	-54.4%	133.6%	136.2%	134.6%	781.7%	75.7%	79.5%	89.7%	77.8%	82.3%
qoq growth	-57.4%	418.0%	3.2%	3.2%	59.9%	3.2%	5.4%	9.0%	49.9%	5.9%
Total	201.0	208.2	214.8	221.6	236.3	243.9	257.0	280.2	315.1	333.5
On-book	179.1	187.7	193.5	202.8	202.7	207.5	226.9	244.3	281.5	305.4
% of total VF AUM	89.1%	90.1%	90.1%	91.5%	85.8%	85.0%	88.3%	87.2%	89.4%	91.6%
Assigned	21.9	20.6	21.3	18.8	33.6	36.5	30.1	36.0	33.5	28.1
% of total VF AUM	10.9%	9.9%	9.9%	8.5%	14.2%	15.0%	11.7%	12.8%	10.6%	8.4%

Source: Company, KRChoksey Research

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VF Disbursements break up										
HCV	6.4	4.7	4.2	4.9	7.1	4.2	6.0	9.0	12.3	9.1
% of total	17.0%	14.0%	13.0%	14.0%	16.0%	11.0%	14.0%	16.0%	18.0%	16.0%
yoy growth	91.8%	28.5%	-5.4%	-5.9%	10.3%	-9.8%	42.4%	83.6%	74.1%	115.8%
qoq growth	23.1%	-27.2%	-9.3%	15.8%	44.3%	-40.4%	43.1%	49.2%	36.9%	-26.2%
LCV	7.9	8.0	6.8	7.0	8.8	8.0	8.2	11.2	13.6	12.5
% of total	21.0%	24.0%	21.0%	20.0%	20.0%	21.0%	19.0%	20.0%	20.0%	22.0%
yoy growth	46.6%	28.5%	11.1%	2.5%	11.6%	0.5%	19.7%	60.6%	54.8%	55.4%
qoq growth	15.9%	1.1%	-14.6%	2.4%	26.2%	-9.0%	1.7%	37.4%	21.6%	-8.6%
CAR & MUV	5.6	5.0	5.2	5.9	7.1	6.5	6.9	8.4	9.5	8.5
% of total	15.0%	15.0%	16.0%	17.0%	16.0%	17.0%	16.0%	15.0%	14.0%	15.0%
yoy growth	29.4%	20.5%	24.1%	14.3%	25.0%	30.1%	32.2%	41.7%	35.4%	30.9%
qoq growth	8.6%	-11.5%	4.1%	14.2%	18.8%	-7.9%	5.8%	22.4%	13.5%	-11.0%
3W and SCV	1.9	1.7	1.6	1.7	2.2	2.3	2.6	3.4	4.8	4.5
% of total	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	6.0%	7.0%	8.0%
yoy growth	22.2%	28.5%	16.4%	7.6%	17.2%	37.8%	58.7%	92.7%	116.7%	97.8%
qoq growth	15.9%	-11.5%	-2.4%	7.5%	26.2%	4.0%	12.5%	30.6%	41.9%	-5.1%
Refinance	6.4	5.3	6.2	6.3	7.5	6.5	7.7	9.5	10.9	7.4
% of total	17.0%	16.0%	19.0%	18.0%	17.0%	17.0%	18.0%	17.0%	16.0%	13.0%
yoy growth	38.5%	28.5%	30.1%	13.9%	17.2%	22.0%	25.3%	51.7%	45.7%	13.4%
qoq growth	15.9%	-16.7%	15.9%	1.8%	19.2%	-13.3%	19.1%	23.3%	14.5%	-32.5%
Older Vehicles	5.6	5.0	4.9	5.2	6.6	5.7	7.3	8.4	9.5	7.9
% of total	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	17.0%	15.0%	14.0%	14.0%
yoy growth	37.5%	28.5%	16.4%	7.6%	17.2%	14.8%	49.9%	60.6%	44.4%	38.4%
qoq growth	15.9%	-11.5%	-2.4%	7.5%	26.2%	-13.3%	27.4%	15.2%	13.5%	-16.9%
Tractor	3.0	2.7	2.6	2.8	3.5	3.4	3.0	3.9	4.8	4.0
% of total	8.0%	8.0%	8.0%	8.0%	8.0%	9.0%	7.0%	7.0%	7.0%	7.0%
yoy growth	30.3%	28.5%	16.4%	7.6%	17.2%	29.2%	15.7%	40.5%	35.4%	15.4%
qoq growth	15.9%	-11.5%	-2.4%	7.5%	26.2%	-2.5%	-12.5%	30.6%	21.6%	-16.9%
CE	0.8	1.0	1.0	1.0	1.3	1.5	1.3	2.2	2.7	2.8
% of total	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	3.0%	4.0%	4.0%	5.0%
yoy growth	0.0%	92.8%	74.6%	61.4%	75.8%	53.1%	32.2%	114.1%	106.3%	85.4%
qoq growth	15.9%	32.7%	-2.4%	7.5%	26.2%	15.5%	-15.7%	74.1%	21.6%	3.8%
Overall disbursements										
Vehicle Finance	37.6	33.3	32.5	34.9	44.1	38.2	42.9	56.1	68.2	56.7
% of total loans	76.1%	72.9%	73.1%	79.8%	84.5%	78.7%	78.2%	82.9%	85.2%	80.8%
yoy growth	46.6%	28.5%	16.4%	7.6%	17.2%	14.8%	32.2%	60.6%	54.8%	48.3%
qoq growth	15.9%	-11.5%	-2.4%	7.5%	26.2%	-13.3%	12.5%	30.6%	21.6%	-16.9%
Home Equity	9.9	9.9	9.0	6.2	5.4	7.4	8.3	8.0	8.1	9.4
% of total loans	20.1%	21.7%	20.3%	14.2%	10.4%	15.2%	15.1%	11.8%	10.1%	13.4%
yoy growth	16.0%	19.3%	17.1%	-29.8%	-45.2%	-25.4%	-7.9%	29.0%	48.1%	26.9%
qoq growth	12.6%	-0.2%	-9.1%	-31.3%	-12.1%	35.9%	12.2%	-3.8%	0.9%	16.5%
Others	1.9	2.4	3.0	2.6	2.6	2.9	3.7	3.6	3.8	4.1
% of total loans	3.8%	5.3%	6.7%	6.0%	5.0%	6.1%	6.7%	5.3%	4.8%	5.9%
yoy growth	113.8%	173.1%	164.6%	98.9%	39.7%	21.0%	24.5%	34.9%	45.7%	39.7%
qoq growth	41.5%	29.8%	21.5%	-10.8%	-0.6%	12.4%	25.0%	-3.3%	7.3%	7.7%
Total	49.4	45.6	44.4	43.7	52.1	48.5	54.9	67.6	80.1	70.2
yoy growth	40.8%	30.0%	21.0%	2.7%	5.5%	6.4%	23.6%	54.6%	53.6%	44.5%
qoq growth	16.0%	-7.7%	-2.6%	-1.6%	19.2%	-6.9%	13.2%	23.1%	18.4%	-12.4%

Source: Company, KRChoksey Research

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Cholamandalam Investment & Finance Company Ltd.

Quarterly performance (INR Bn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Key Ratios (Reported)										
CAR (%)	19.7%	18.7%	18.7%	19.2%	18.6%	19.4%	19.3%	18.5%	18.4%	18.2%
Tier I (%)	13.3%	13.3%	13.6%	13.7%	13.6%	14.3%	14.0%	13.8%	13.2%	13.4%
Tier II (%)	6.4%	5.4%	5.1%	5.5%	5.0%	5.1%	5.3%	4.7%	5.1%	4.7%
Leverage (x) (calc.)	7.6	7.7	7.6	7.4	7.1	6.9	7.2	7.2	7.7	8.9
Gross NPAs	10.4	11.1	11.2	12.4	16.1	16.6	16.4	14.5	12.4	13.5
Net NPAs	6.2	6.5	6.4	7.5	10.9	11.2	10.6	9.0	7.3	7.7
GNPA (%)	3.5%	3.6%	3.5%	3.8%	4.7%	4.7%	4.5%	3.7%	2.9%	3.0%
NNPA (%)	2.1%	2.1%	2.0%	2.3%	3.2%	3.2%	2.9%	2.3%	1.7%	1.7%
PCR (%)	40.0%	41.7%	42.9%	39.5%	31.9%	32.3%	35.6%	37.8%	41.4%	42.8%
Profitability (calculated)										
RoA (%)	2.8%	2.3%	2.3%	2.1%	2.9%	2.7%	2.8%	2.9%	3.1%	2.6%
RoE (%)	21.3%	17.9%	17.4%	15.7%	20.3%	18.4%	20.2%	20.8%	23.8%	23.1%
Opex/NII (%)	34.6%	40.4%	42.6%	42.4%	41.4%	34.9%	41.8%	40.8%	42.5%	32.5%
Spread Analysis (Reported)										
Total portfolio										
NIM	8.7%	7.5%	8.4%	8.4%	8.6%	7.7%	9.5%	9.6%	9.7%	7.2%
Expense ratio	3.4%	2.5%	3.5%	3.5%	3.6%	2.7%	3.9%	3.9%	4.0%	2.3%
LLP	1.7%	1.2%	1.1%	1.2%	1.1%	1.3%	1.2%	1.2%	1.1%	0.9%
ROTA-PBT	3.6%	3.8%	3.8%	3.7%	3.9%	3.8%	4.4%	4.5%	4.6%	4.0%
Vehicle Finance										
NIM	8.5%	7.3%	8.1%	8.2%	8.4%	8.2%	8.8%	8.9%	8.9%	6.9%
Expense ratio	3.8%	2.9%	3.8%	3.7%	3.8%	3.3%	4.0%	4.1%	4.1%	2.6%
LLP	1.7%	1.3%	1.3%	1.4%	1.4%	1.1%	1.1%	1.0%	0.9%	0.9%
ROTA-PBT	3.0%	3.1%	3.0%	3.1%	3.2%	3.7%	3.7%	3.8%	3.9%	3.4%
Home Equity										
NIM	5.1%	4.0%	4.5%	4.4%	4.4%	4.7%	4.4%	4.3%	4.4%	4.2%
Expense ratio	1.2%	0.6%	1.2%	1.2%	1.2%	1.0%	1.3%	1.3%	1.3%	1.0%
LLP	0.7%	0.8%	0.9%	0.9%	1.0%	1.3%	0.6%	0.6%	0.6%	0.8%
ROTA-PBT	3.2%	2.6%	2.4%	2.3%	2.2%	2.3%	2.5%	2.4%	2.5%	2.3%
Network										
Branches (#)	534	534	637	700	703	703	725	858	873	883
Branch addition qoq	0	0	103	63	3	0	22	133	15	10

Source: Company, KRChoksey Research

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Cholamandalam Investment & Finance Company Ltd.

FINANCIALS (INR Mn)							
INCOME STATEMENT (INR Mn)	FY2015	FY2016	FY2017	FY2018	FY2019E	FY2020E	FY2021E
Interest income	33,972.2	38,428.8	42,549.0	48,392.0	62,663.1	77,048.4	94,239.4
Interest expense	19,603.9	20,507.8	22,308.0	23,078.5	29,809.3	36,638.5	45,876.0
Net interest income	14,368.3	17,921.0	20,241.0	25,313.5	32,853.8	40,409.9	48,363.3
Non interest income	2,939.7	3,508.3	4,054.5	5,865.7	6,249.3	7,631.4	9,260.3
Total income	17,308.0	21,429.3	24,295.5	31,179.2	39,103.2	48,041.3	57,623.6
Operating expenses	7,488.6	8,449.2	10,133.4	12,895.2	15,247.2	18,036.8	21,376.7
Pre-provision profit	9,819.4	12,980.0	14,162.1	18,284.0	23,856.0	30,004.6	36,246.9
Provisions	3,247.2	4,272.4	3,106.3	3,450.9	4,449.6	5,456.0	6,430.0
Profit before tax	6,572.2	8,707.7	11,055.8	14,833.1	19,406.3	24,548.5	29,816.9
Tax expense	2,220.6	3,023.2	3,868.4	5,091.9	6,661.8	8,427.0	10,235.5
Net profit	4,351.6	5,684.5	7,187.4	9,741.2	12,744.6	16,121.5	19,581.4

Source: Company, KRChoksey Research

BALANCE SHEET (INR Mn)	FY2015	FY2016	FY2017	FY2018	FY2019E	FY2020E	FY2021E
SOURCES OF FUNDS							
Share capital	6,435.4	1,561.5	1,562.8	1,563.3	1,563.3	1,563.3	1,563.3
Reserves & surplus	25,289.2	35,011.7	41,563.3	49,938.3	61,083.0	75,180.8	92,304.2
Shareholders' funds	31,724.6	36,573.2	43,126.1	51,501.6	62,646.3	76,744.2	93,867.5
Borrowings	1,94,752.4	2,25,762.2	2,42,067.8	3,19,022.0	3,90,723.1	4,78,897.3	5,97,207.8
Other liabilities & provisions	12,246.5	16,546.9	22,015.1	24,520.8	30,819.1	35,398.3	42,991.9
TOTAL LIABILITIES & EQUITY	2,38,732.2	2,78,882.8	3,07,211.7	3,95,045.7	4,84,188.5	5,91,039.7	7,34,067.3
USES OF FUNDS							
Cash and cash equivalent	3,406.6	4,904.5	4,870.0	3,925.1	5,410.5	6,631.5	8,269.8
Investments	674.8	665.7	2,385.5	3,189.5	3,928.2	4,814.7	6,004.1
Advances	2,21,835.4	2,59,101.3	2,84,152.2	3,72,011.5	4,57,597.3	5,60,862.9	6,99,422.8
Fixed & other assets	12,815.5	14,211.4	15,804.0	15,919.7	17,252.5	18,730.7	20,370.5
TOTAL ASSETS	2,38,732.3	2,78,882.8	3,07,211.7	3,95,045.7	4,84,188.5	5,91,039.7	7,34,067.3

Source: Company, KRChoksey Research

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Cholamandalam Investment & Finance Company Ltd.

KEY RATIOS	FY2015	FY2016	FY2017	FY2018	FY2019E	FY2020E	FY2021E
Growth rates							
Advances (%)	14.2%	16.8%	9.7%	30.9%	23.0%	22.6%	24.7%
Total assets (%)	10.8%	16.8%	10.2%	28.6%	22.6%	22.1%	24.2%
NII (%)	21.9%	24.7%	12.9%	25.1%	29.8%	23.0%	19.7%
Pre-provisioning profit (%)	17.8%	32.2%	9.1%	29.1%	30.5%	25.8%	20.8%
PAT (%)	19.5%	30.6%	26.4%	35.5%	30.8%	26.5%	21.5%
Balance sheet ratios							
Advances/Total assets (%)	92.9%	92.9%	92.5%	94.2%	94.5%	94.9%	95.3%
Leverage (x)	8.3	7.6	7.4	7.4	7.7	7.7	7.8
CAR (%)	21.2%	19.7%	18.6%	18.4%	17.3%	17.1%	16.7%
Operating efficiency							
Opex/average AUM	3.1%	3.1%	3.2%	3.3%	3.2%	3.1%	3.0%
Cost/NII	52.1%	47.1%	50.1%	50.9%	46.4%	44.6%	44.2%
Cost/income	43.3%	39.4%	41.7%	41.4%	39.0%	37.5%	37.1%
Profitability							
NIM (%)	6.7%	7.3%	7.3%	7.6%	7.8%	7.8%	7.5%
RoA (%)	1.9%	2.2%	2.5%	2.8%	2.9%	3.0%	3.0%
RoE (%)	15.9%	16.6%	18.0%	20.6%	22.3%	23.1%	23.0%
Asset quality							
Gross NPA (%)	3.1%	3.5%	4.7%	2.9%	2.8%	2.7%	2.6%
Net NPA (%)	2.0%	2.1%	3.2%	1.7%	1.5%	1.5%	1.4%
PCR (%)	35.5%	40.0%	31.9%	41.4%	45.0%	45.0%	45.0%
Credit cost (%)	1.6%	1.8%	1.1%	1.1%	1.1%	1.1%	1.0%
Per share data / Valuation							
EPS (INR)	30.3	36.4	46.0	62.3	81.5	103.1	125.3
BVPS (INR)	221.0	234.2	276.0	329.4	400.7	490.9	600.4
ABVPS (INR)	185.6	194.3	206.0	282.8	350.0	431.3	528.6
P/E (x)	19.4	19.6	21.0	23.2	17.7	14.0	11.5
P/BV (x)	2.7	3.0	3.5	4.4	3.6	2.9	2.4
P/ABV (x)	3.2	3.7	4.7	5.1	4.1	3.3	2.7
ROA Tree	FY2015	FY2016	FY2017	FY2018	FY2019E	FY2020E	FY2021E
NII	6.3%	6.9%	6.9%	7.2%	7.5%	7.5%	7.3%
Opex	3.3%	3.3%	3.5%	3.7%	3.5%	3.4%	3.2%
PPOP	4.3%	5.0%	4.8%	5.2%	5.4%	5.6%	5.5%
Provisions	1.4%	1.7%	1.1%	1.0%	1.0%	1.0%	1.0%
PBT	2.9%	3.4%	3.8%	4.2%	4.4%	4.6%	4.5%
PAT	1.9%	2.2%	2.5%	2.8%	2.9%	3.0%	3.0%
Levrage (x)	8.3	7.6	7.4	7.4	7.7	7.7	7.8
RoE (%)	15.9%	16.6%	18.0%	20.6%	22.3%	23.1%	23.0%

Source: Company, KRChoksey Research

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Cholamandalam Investment & Finance Company Ltd.

Cholamandalam Investment & Finance Company Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
12-Jun-18	1580	1942	BUY	Buy	More than 15%
30-Jul-18	1443	1941	BUY	Accumulate	5% - 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than -5%

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