

# Cholamandalam Investment & Finance Company Ltd.



# Cholamandalam Inv & Fin Co. Ltd.

**Robust performance across all the financial metrics**

CMP <b>INR 991</b>	Target <b>INR 1,120</b>	Potential Upside <b>13.1%</b>	Market Cap (INR Mn) <b>INR 8,14,231</b>	Recommendation <b>ACCUMULATE</b>	Sector <b>NBFC</b>
-----------------------	----------------------------	----------------------------------	--	-------------------------------------	-----------------------

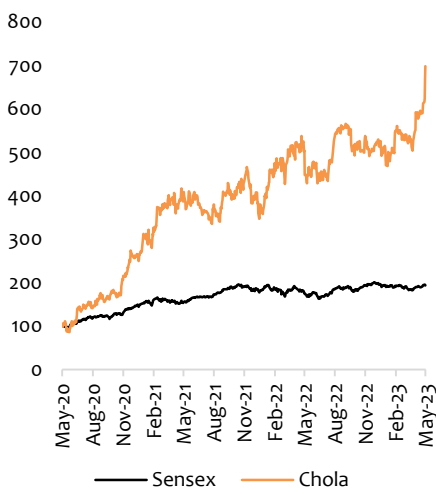
## Result Highlights:

- Net Interest Income (NII) for Q4FY23 stood at INR 17,649 Mn, a growth of 29.0% YoY (+10.4% QoQ).
- The Pre-Provision profit was at INR 12,731 Mn against INR 9,120 Mn in Q4FY22, an increase of 39.6% YoY.
- Profit after Tax (PAT) for Q4FY23 was INR 8,528 Mn, reporting a growth of 23.7% YoY/ 24.6% QoQ
- Assets under management as of March 31, 2023, stood at INR 11,27,820 Mn as compared to INR 8,29,040 Mn as of March 31, 2022, a growth of 36.0% YoY/ 18.1% QoQ.
- GNPA and NNPA as of March 31, 2023, stood at 4.63% and 3.11% vs 5.37% and 3.69% as of December 31, 2022, respectively.
- The Capital Adequacy Ratio (CAR) of the company as of March 31, 2023, was 17.13% as against the regulatory requirement of 15.0%. Tier-I Capital was at 14.78%.

## MARKET DATA

Shares outs (Mn)	822
Equity Cap (INR Mn)	1,42,961
Mkt Cap (INR Mn)	8,14,231
52 Wk H/L (INR)	998/600
Volume Avg (3m K)	1,567
Face Value (INR)	2
Bloomberg Code	CIFC IN

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	61,054
NIFTY	18,069

## KEY FINANCIALS

Particulars (INR Mn)	FY 21	FY 22	FY 23	FY 24E	FY 25E
NII	46,483	52,680	63,334	81,532	1,02,157
PPOP	33,567	37,712	44,494	56,126	69,152
PAT	15,113	21,467	26,662	33,151	40,781
EPS	18.4	26.2	32.5	40.3	49.6
NIM	7.6%	7.3%	6.9%	6.7%	6.8%
Advances Growth	18.8%	12.6%	38.5%	23.9%	23.9%

Source: Company, KRChoksey Research

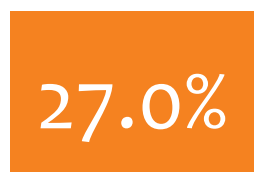
**Higher disbursement supports robust growth in AUM:** CIFIC reported strong disbursement growth of 65.3% YoY/ 19.7% QoQ at INR 210.2 Bn. For FY23, the disbursements stood at INR 665.32 Bn, a jump of 87.5% YoY driven by robust disbursals across all the segments. As of March 31, 2023, the Assets Under Management (AUM) stood at INR 11,27,820 Mn, a growth of 36.0% YoY (+18.1% QoQ). CIFIC has seen an improvement in market share across all its products. The vehicle loan segment reported a growth of 26.6% YoY (+6.2% QoQ). CIFIC witnessed an improved contribution from the new vehicle financing segment, led by pent-up demand. However, the company expects this contribution to go down to its normal levels while the 2-wheeler, tractor, and used vehicle segments will increase, helping to improve yields. The Loan against Property (LAP) grew 28.5% YoY (+2.8% QoQ), while the home loan segment growth surged by 51.2% YoY. The new business segments have also seen healthy disbursements for the quarter, which led to a growth of 160.1% YoY/ 56.9% QoQ. The LAP and SME segments reported strong growth due to the low base on account of pandemic amidst a revival in demand from smaller businesses. In FY24E, the management is confident of growing its AUM by 22-25% YoY. The vehicle finance segment is expected to contribute around 50.0% to the total portfolio (~63.0% in FY23), while LAP and Home loans are to be 30-35.0% and the new business segments at 15.0% by FY26E.

**Asset quality continues to improve:** The Gross Stage 3 assets, as of March 31, 2023, stood at 3.01% against 3.51% as of December 31, 2022, with a provision coverage ratio of 46.0%. As per the revised RBI norms, the GNPA, as of March 31, 2023, stood at 4.63%, down from 5.37% as of December 31, 2022. The NBFC carried an additional provision of INR 6,550 Mn under IndAS over IRAC (Income Recognition and Asset Classification) as of March 31, 2023.

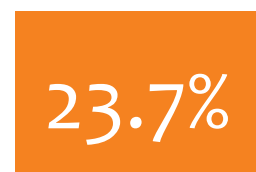
**Healthy NII and lower provisions boost earnings:** The NII for Q4FY23 reported a 29.0% YoY/ 10.4% QoQ growth, led by robust AUM growth. The calculated NIMs stood at 7.2%. The company expects to maintain its margins at the current levels. The cost-to-income ratio for the quarter was 38.2%, an improvement of 285 bps QoQ/ 336 bps YoY, leading to an operating profit growth of 39.6% YoY/ 17.9% QoQ. The provisions for the quarter stood at INR 1,140 Mn, a QoQ decline of 28.3% in Q4FY23. Thus, this has led to a substantial rise in profit growth of 23.7% YoY/ 24.6% QoQ.

## SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	51.5	51.5	51.5
FIIIs	19.6	19.4	18.7
DIIIs	21.5	21.2	21.9
Others	7.4	7.9	7.9
Total	100.0	100.0	100.0



NII CAGR between FY23 and FY25E



PAT CAGR between FY23 and FY25E

## ANALYST

 Abhishek Agarwal [research5@krchoksey.com](mailto:research5@krchoksey.com), +91-22-6696 5575

## KRChoksey Research

is also available on Bloomberg KRCS&lt;GO&gt; Thomson Reuters, Factset and Capital IQ

 Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)

# Cholamandalam Inv & Fin Co. Ltd.

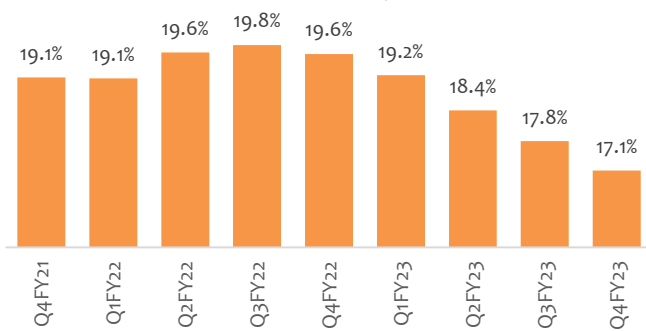
## Conference Call Highlights:

- Leveraging industry growth, CIFIC has improved market share across product segments. Most of the growth and expansion in business is coming from the tier-3 and tier-4 cities, supported by secular growth across all six business segments. The company plans to further expand its new businesses in Tier 3 and Tier 4 cities for deeper penetration of this segment.
- The rejection rate of the new business segment stood at ~70% in FY23.
- The company will be striving to keep the NIMs at their current levels going ahead.
- The company will review and plan its capital raising in FY24E.
- CIFIC aims to bring down the vehicle finance segment by 50.0% from the current level, while the home loan/LAP segment will be around 30–35% and others at 15% by FY26E.
- The AUM growth that the company is expecting in FY24E is 22-25%. Retail AUM of NBFCs is expected to grow at a healthy 12–14% in FY24E, after a strong rebound in FY23.
- Delinquency in the new business segment is lower compared to the industry’s level.
- Opex is in the range of 3.0% of average assets. It will keep it in the range of 3.0–3.1% of the average assets.
- During the year, CIFIC saw an increase in the contribution of the new vehicle finance segment due to the pent-up demand in the auto industry. However, the company expects the mix to go back to its normal level of ~15% and support growth in the high yielding segments, especially in two-wheelers, tractors, and used cars.
- In FY23, CIFIC took an interest rate hike of 200 bps in the LAP segment and ~150 bps in the home loan segment.
- The company has completely utilized its management overlay of INR 5,000 in Q4FY23. The write-offs for the quarter stood at INR 900 Mn while for FY23, they were around INR 5,500 Mn.
- The Board of Directors of the company has recommended a final dividend of INR 0.70 per share.

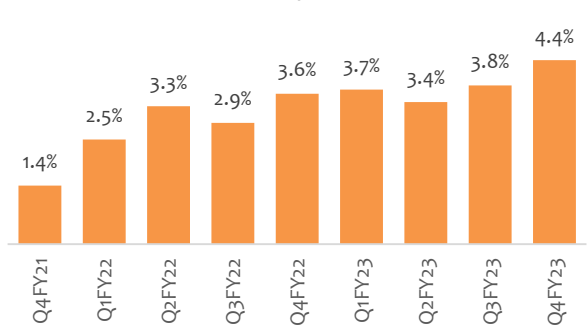
## Valuation and view

CIFIC ended fiscal year FY23 with a stellar performance led by a robust business trajectory across all segments. The company saw its highest-ever disbursement growth during the year. The management is confident of growing its AUM further by 22-25% YoY in FY24E, led by improving contributions from the new segments and also healthy volume traction in the existing business. The growth story for CIFIC has multiple levers, which give an overall sense of optimism about the outlook. On the NIM front, the increasing cost of funds has not impacted the margins during the quarter. Going ahead, the company expects margins to be sustainable led by increasing contributions from high-yielding segments, especially vehicle financing, and also intends to pass on the increase in cost of funds to its customers through its businesses other than vehicle financing. The growth in the LAP/HL segment to aid the company partially offset the rise in the cost of funds and maintaining the NIMs. We expect CIFIC to continue to outperform the industry in terms of healthy growth and its superior asset quality compared to its peers. **We have factored in a growth of 23.9% CAGR in AUM and 23.7% in profits over FY23-25E led by healthy operating performance and growing traction in each business segments. We expect RoA/ROE to reach 2.4%/20.4% in FY25E. We assign a P/ABV multiple of 5.5x to the FY25E adj. BVPS of INR 203.5 to arrive at a target price of INR 1,120/share (earlier INR 865), implying an upside of 13.1% from the CMP. Accordingly, we maintain our rating on the shares of Cholamandalam Investment & Finance Company Ltd. as “ACCUMULATE”.**

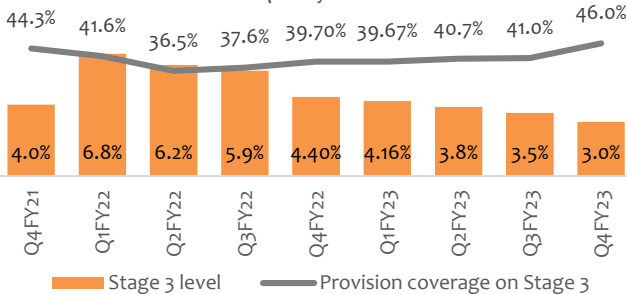
CAR: Healthy



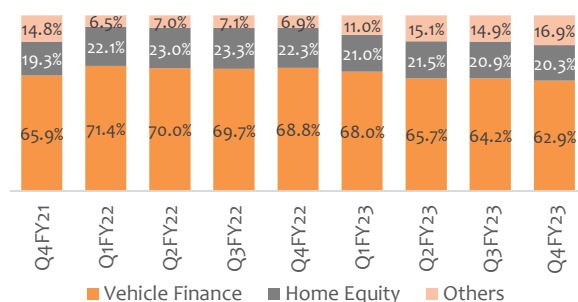
ROA-PBT Ratio: Up-trend continues



Asset Quality: Worsens



Business AUM Mix



Source: Company, KRChoksey Research

**ANALYST**

Abhishek Agarwal [research5@krchoksey.com](mailto:research5@krchoksey.com), +91-22-6696 5575

**KRChoksey Research**

is also available on Bloomberg KRCS<GO> Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576 [www.krchoksey.com](http://www.krchoksey.com)

## Cholamandalam Inv & Fin Co. Ltd.

### KEY FINANCIALS

#### Exhibit 1: Profit & Loss Statement (Standalone)

INR Mn	FY 21	FY 22	FY 23	FY 24E	FY 25E
Interest Income	92,242	95,668	1,20,822	1,61,674	2,04,469
Interest Expense	45,759	42,988	57,488	80,143	1,02,313
<b>Net Interest Income</b>	<b>46,483</b>	<b>52,680</b>	<b>63,334</b>	<b>81,532</b>	<b>1,02,157</b>
Non interest income	2,919	5,720	8,958	9,167	10,267
Operating income	49,401	58,400	72,292	90,699	1,12,424
- Employee expense	7,494	8,945	12,657	15,821	19,776
- Other operating expense	8,341	11,742	15,142	18,752	23,496
Operating Expense	15,834	20,687	27,799	34,573	43,272
<b>PPOP</b>	<b>33,567</b>	<b>37,712</b>	<b>44,494</b>	<b>56,126</b>	<b>69,152</b>
Provisions	13,218	8,803	8,497	11,924	14,778
PBT	20,348	28,909	35,997	44,202	54,374
Tax Expense	5,235	7,442	9,335	11,050	13,594
<b>PAT</b>	<b>15,113</b>	<b>21,467</b>	<b>26,662</b>	<b>33,151</b>	<b>40,781</b>
Diluted EPS (INR)	18.4	26.2	32.5	40.3	49.6

Source: Company, KRChoksey Research

#### ANALYST

Abhishek Agarwal [research5@krchoksey.com](mailto:research5@krchoksey.com), +91-22-6696 5575

#### KRChoksey Research

is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)

## Cholamandalam Inv & Fin Co. Ltd.

### Exhibit 2: Balance Sheet (Standalone)

INR Mn	FY 21	FY 22	FY 23	FY 24E	FY 25E
<b>Source of Funds</b>					
Share capital	1,641	1,643	1,645	1,645	1,645
Reserves & Surplus	93,962	1,15,434	1,41,316	1,63,390	1,98,238
Net worth	95,603	1,17,077	1,42,961	1,65,035	1,99,882
Borrowings	6,37,300	6,91,735	9,73,561	12,22,129	15,06,206
Other liabilities & provisions	12,581	14,822	18,634	21,988	25,946
<b>Total Equity &amp; Liabilities</b>	<b>7,45,484</b>	<b>8,23,634</b>	<b>11,35,155</b>	<b>14,09,152</b>	<b>17,32,035</b>
<b>Uses of Funds</b>					
Cash & bank balances	52,319	26,579	9,103	19,944	17,820
Deferred Tax Assets	7,638	6,714	6,085	6,085	6,085
Net investments	16,188	20,762	36,200	43,654	54,223
Loans & advances	6,58,393	7,41,492	10,47,483	12,99,994	16,11,218
Fixed assets	2,293	2,914	4,589	6,196	7,745
Other assets	8,653	25,173	31,694	33,279	34,943
<b>Total Assets</b>	<b>7,45,484</b>	<b>8,23,634</b>	<b>11,35,155</b>	<b>14,09,152</b>	<b>17,32,035</b>

Source: Company, KRChoksey Research

## Cholamandalam Inv & Fin Co. Ltd.

### Exhibit 3: Ratio Analysis

Key Ratio	FY 21	FY 22	FY 23	FY 24E	FY 25E
<b>Growth Rates</b>					
AUM (%)	15.6%	9.9%	38.5%	23.9%	23.9%
Borrowings (%)	15.9%	8.5%	40.7%	25.5%	23.2%
Total assets (%)	16.5%	10.5%	37.8%	24.1%	22.9%
NII (%)	31.6%	13.3%	20.2%	28.7%	25.3%
Pre-provisioning profit (%)	35.1%	12.4%	18.0%	26.1%	23.2%
PAT (%)	43.6%	42.0%	24.2%	24.3%	23.0%
<b>B/S Ratios</b>					
Credit/Deposit (%)	103.3%	107.2%	107.6%	106.4%	107.0%
Advances/Total assets (%)	88.3%	90.0%	92.3%	92.3%	93.0%
Leverage - Total Assets to Equity	7.8	7.0	7.9	8.5	8.7
<b>Operating efficiency</b>					
Cost/income (%)	32.1%	35.4%	38.5%	38.1%	38.5%
Opex/total assets (%)	2.1%	2.5%	2.4%	2.5%	2.5%
Opex/total interest earning assets	2.6%	2.9%	3.0%	2.8%	2.9%
<b>Profitability</b>					
NIM (%)	7.6%	7.3%	6.9%	6.7%	6.8%
RoA (%)	2.0%	2.6%	2.3%	2.4%	2.4%
RoE (%)	15.8%	18.3%	18.6%	20.1%	20.4%
<b>Asset quality</b>					
Gross NPA (%)	4.0%	6.8%	4.6%	4.0%	3.5%
Net NPA (%)	2.2%	4.8%	3.1%	2.5%	2.0%
PCR (%)	45.0%	29.4%	32.8%	37.5%	42.9%
Credit cost (%)	2.0%	1.2%	0.8%	0.9%	0.9%
<b>Per share data / Valuation</b>					
EPS (INR)	18.4	26.2	32.5	40.3	49.6
BVPS (INR)	116.5	142.7	174.0	200.9	243.3
ABVPS (INR)	97.8	97.2	133.7	160.7	203.5
P/E (x)	30.3	27.5	30.7	24.7	20.1
P/BV (x)	4.8	5.0	5.7	5.0	4.1
P/ABV (x)	5.7	7.4	7.4	6.2	4.9
<b>Profitability</b>					
Return on Capital	2.2%	2.8%	2.8%	2.6%	2.6%
Return on Equity	15.8%	18.3%	18.6%	20.1%	20.4%

Source: Company, KRChoksey Research

**ANALYST**

 Abhishek Agarwal [research5@krchoksey.com](mailto:research5@krchoksey.com), +91-22-6696 5575

**KRChoksey Research**

 is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

 Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)

## Cholamandalam Inv & Fin Co. Ltd.

Cholamandalam Inv & Fin Co. Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
06-May-23	991	1,120	ACCUMULATE	Buy	More than 15%
03-Feb-23	781	865	ACCUMULATE		
03-Nov-22	757	820	ACCUMULATE	Accumulate	5% – 15%
02-Aug-22	747	820	ACCUMULATE	Hold	0 – 5%
09-May-22	635	730	ACCUMULATE	Reduce	-5% – 0
02-Feb-22	639	730	ACCUMULATE	Sell	Less than – 5%

### ANALYST CERTIFICATION:

I, Abhishek Agarwal (CA, CFA L3 cleared), Research Analyst author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSPL is a registered Research Entity vide SEBI Registration No. INH00001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 cleared), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 cleared), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to [research.insti@krchoksey.com](mailto:research.insti@krchoksey.com)  
Visit us at [www.krchoksey.com](http://www.krchoksey.com)

**KRChoksey Shares and Securities Pvt. Ltd**  
Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.  
Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.  
Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

### ANALYST

Abhishek Agarwal [research5@krchoksey.com](mailto:research5@krchoksey.com), +91-22-6696 5575

### KRChoksey Research

is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)