Cholamandalam Finance

Vehicle Finance

Growth decelerating but strong at 20% YoY; credit cost guidance revised upwards marginally

Cholamandalam Finance (Chola) sustains robust Q1FY26 performance with PAT growth at 21% YoY, RoA at 2.2% and RoE at 19%. However, 8% QoQ decline in disbursements resulted in AUM growth decelerating to 24% YoY from 27%/31%/33%/35%/37%/40% YoY in Q4/Q3/Q2/Q1FY25/Q4-Q3FY24, respectively. Yet, the same is still within the guided range of 20-25% growth in near term. Management is cognisant of the stress in unsecured segment (proactively pruned disbursements in CSEL segment - 7% of AUM) and slowdown in VF segment. Share of CSEL in overall disbursement fell to 8% in Q1 vs. 14% YoY. While Chola highlighted it would calibrate AUM growth in the near term and prioritise collections, it sounded confident of delivering 20% growth in FY26.

Asset quality deteriorated with GNPL increasing to 4.29% vs. 3.97% QoQ and 3.62% YoY with weakness visible across segments. Similarly, credit cost during Q1FY26 increased to 1.8% vs. 1.3% QoQ owing to lower fleet utilisation partially due to seasonality and early monsoon. Further, prolonged stress in unsecured MSME segment kept net credit cost elevated at 2.1% in SBPL and 6.7% in CSEL during Q1. Management indicated that credit cost is likely to remain at similar level in Q2FY26 and for the full year FY26 it would be 10bps higher at 1.5% vs. 1.4% in FY25. Factoring in marginally higher credit cost and pruning growth estimates, we cut FY26/FY27E earnings by 5%/1% respectively. Maintain **HOLD** with a revised TP of INR 1,430 (INR 1,500 earlier), valuing the stock at 3.75x Sep'26E BVPS.

Gradually pursuing the strategy of shifting from product-level cross-sell to segment-level cross-sell

Chola has been ramping up its product offerings since 2022 to diversify AUM mix and sustain growth momentum. The execution since then is in line with it launching CSEL, SBPL and SME businesses in FY22, gold loan and consumer durables verticals in FY25. Currently, cross-sell to existing customers base (4mn+ as on March'25) is mostly limited to product level (ex CV customers are offered PV loan). However, with expanded product offerings and strong customer franchise, it is now shifting to cross-segment (offering SME loan to VF customers) cross-sell.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income (NII)	83,831	1,12,351	1,39,421	1,70,223
PAT (INR mn)	34,228	42,585	51,866	65,231
EPS (INR)	40.7	50.6	61.7	77.5
% Chg YoY	25.6	24.3	21.8	25.8
P/E (x)	34.9	28.1	23.1	18.3
P/BV (x)	6.1	5.1	4.2	3.4
Gross Stage - 3 (%)	2.5	2.9	3.1	3.1
Dividend Yield (%)	-	-	-	-
RoA (%)	2.5	2.4	2.4	2.6
RoE (%)	20.2	19.7	19.8	20.4

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Market Data

Market Cap (INR)	1,197bn
Market Cap (USD)	13,670mn
Bloomberg Code	CIFC IN
Reuters Code	CHLA.BO
52-week Range (INR)	1,684 /1,168
Free Float (%)	50.0
ADTV-3M (mn) (USD)	35.0

Price Performance (%)	3m	6m	12m
Absolute	(4.7)	12.4	2.3
Relative to Sensex	(5.1)	8.4	3.8

ESG Score	2023	2024	Change
ESG score	**79.1**	**79.6**	**0.5**
Environment	65.3	67.2	1.9
Social	75.7	77.6	1.9
Governance	85.6	85.9	0.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
PAT	(5)	(1)

Previous Reports

22-06-2025: NBFCs Sector Update

28-04-2025: Q4FY25 results review

Q1FY26 result: PBT RoA at 3.1% vs. 3.6% QoQ due to elevated credit cost; credit cost guidance up 10bps to 1.5%

Chola reported 50bps decline in PBT RoA to 3.1% vs. 3.6% QoQ, largely due to 50bps sequential rise in credit cost to 1.8% (16-quarter high) vs. 1.3% QoQ. Management attributes this to seasonality and stress in VF and MSME segments. Post tax RoA settled at 2.3% vs. 2.7% QoQ during Q1FY26 with RoE at 18.8% vs. 22.2% QoQ, but still remains healthy. NII grew 4% QoQ, largely supported by 4% QoQ AUM growth while NIM contracted 20bps QoQ to 7.8% during Q1. Productivity improvement continued to drive operating efficiency as reflected in cost-AUM moderating to 3.08% in Q1FY26 vs. 3.2% / 3.3% / 3.3% in Q4 / Q3 / Q2FY25, respectively. PPoP growth remained strong at 30% YoY / 3.4% QoQ. However, overall, PAT came in at INR 11.4bn, up 21% YoY but down 10% QoQ due to spike in credit cost during Q1FY26.

Asset quality was weak with spike in credit cost to 1.8% vs. 1.3% QoQ, due to stress in vehicle loans and consumer loans. It expects elevated credit cost in Q2FY26 and then gradual recovery in H2FY26. However, it has revised full year FY26 credit cost guidance upwards by 10bps YoY to ~1.5% vs. 1.4% in FY25 to factor in weak H1FY26. Gross stage-3 came in at 3.16%, up 35bps QoQ and net stage-3 came in at 24bps QoQ to 1.78%, while PCR moderated to 43.7% vs. 45.3% QoQ. Gross stage-2 assets inched up 52bps QoQ to 3.05%. Asset quality stress was visible across segments with GS-3 in VF increasing to 3.89% vs. 3.27% YoY, LAP to 2.26% vs. 2.35% YoY, HL to 1.68% vs. 1.04% and CSEL + SBPL + SME to 2.58% vs. 1.28% YoY.

While AUM growth was strong at 4% QoQ and 24% YoY in Q1FY26, the same is witnessing decelerating trend since past five quarters as reflected in YoY growth moderating to 24% in Q1FY26 from 40% in Q3FY24. The slowdown was largely visible in the newly-launched products – YoY growth in CSEL moderated to 10% in Q1FY26 from 88% in Q1FY25 and SBPL to 65% YoY in Q1FY26 from 165% YoY in Q1FY25. The disbursements share also fell to 10% in Q1FY26 from 15% in Q1FY25. Overall, disbursements remained lower 8% QoQ and flat YoY, partially due to seasonality and it calibrating growth in high-stressed products.

Margins likely to improve by 12-15bps aided by benefits on borrowing cost; asset yield to remain under pressure

NIM contracted 20bps QoQ to 7.8% during Q1FY26 largely due to asset yield contraction of 30bps QoQ to 14.8% (slow growth in high yielding unsecured segments) and 10bps QoQ reduction in cost of funds restricted further dent in NIM. On borrowing mix, ~50% of its bank borrowings are EBLR linked and the balance is MCLR. Hence, given that 50bps of the rate cut happened in the fag end of the quarter, it expects reduction in borrowing cost in Q2 for EBLR-linked loans, while for MCLR-linked borrowings, benefit could be seen in Q3 as it comes with a lag. Overall, it expects 20bps improvement in borrowing cost for FY26. On the contrary, it expects 5-8bps of offset by way of yield reduction on floating rate assets. Hence, overall, it is looking at 12-15bps benefit on margins, aided by the benefit on borrowing cost and partly offset by decline in yields.

AUM growth of 20-25% in FY26 looks tough, given the slower pace of disbursements

Chola has been diversifying its product portfolio by entering into newer segments and expanding the scope under vehicle financing. Simultaneously, it has established a comprehensive product suite, offering loans across categories ranging from small/medium/large CVs, cars, MUVs, 3W/2W and tractors. Diversification within vehicle financing has helped Chola grow this book in a calibrated manner through the years. In Q1, it had also launched gold loans with initial disbursement of INR 1bn for the quarter.

For Q1FY26, AUM growth was decent at 4% QoQ and 24% YoY, given the seasonality in Q1. However, within that, vehicle finance, which comprises 54% of AUM grew 3% QoQ and 18% YoY. Hence, growth is being largely driven by non-vehicle segments, which grew 5% QoQ and 31% YoY.

Within non-vehicle segment, LAP portfolio (23% of book) was up 6% QoQ/37% YoY, housing portfolio (10% of book) was up 5% QoQ/33% YoY, while calibration continued in CSEL portfolio (7% of the book) with 3% sequential decline and up 10% YoY.

In terms of disbursements, they were down 8% QoQ and flat YoY. In terms of segmental split, disbursements were lower QoQ and YoY across segments, only vehicle finance, LAP and SBL saw an uptick, while remaining businesses saw a decline.

Overall, we believe, given the current challenging environment dynamics, growth from non-VF, particularly unsecured, is likely to be under pressure. Moreover, slow disbursements run-rate also pose risk to management's guidance of 20-25% YoY growth in FY26.

Plans to launch gold, consumer loans in FY26; disbursed INR 1bn in Q1

Detailed analysis of its existing customer base of 4.5mn suggests that Chola's customers are borrowing ~INR 10bn every month from other lenders in gold and consumer durable loan segments. Hence, in continuation of its product diversification strategy, it is planning to launch gold loans and consumer durable loans in FY26. Of this, gold loan disbursements commenced in Q1FY26 with Q1 gold loan disbursements at INR 1bn. Prior to this, in 2022, it launched three products namely Consumer & Small Enterprise Loan (CSEL), Secured Business & Personal Loan (SBPL) and SME Loan (SME) business, which currently contribute ~13% of total AUM.

Key risks: 1) Credit cost not normalising to guided level and 2) faster than guided AUM growth.

Q1FY26 conference call takeaways

<u>Asset quality</u>

- **Stress in auto and consumer loans led to rise in sequential credit cost.**
- **Expect credit cost to come down in Q3 post the festive season.**
- **Expect improvement in vehicle finance segment Q3 onwards.**
- Normalisation will happen across segments on GNPA front.
- LAP 50-60bps NCL.
- HL 60-70bps NCL.
- VF 190-210 NCL.
- **Q4 onwards, things should start looking better on overall AQ front.**
- **Conservatively, Chola considers 10bps higher net credit loss (NCL) in FY26 than FY25.**
- **FY26 is a year of collections and not disbursements.** If it continues to do well, then benefit will come Q3 onwards.
- From Q4FY26, CSEL NCL is expected to further go down.
- Entire CSEL portfolio is unsecured.
- Calibration of underwriting and collection mechanism is a continuous process.
- LGD is same in vehicle finance segment.

Margins

- Expect reduction in cost of funds in Q2, since bulk of repo rate cut was in the fag end of the quarter.
- 50% of bank borrowings are EBLR linked and hence full benefit is expected in Q2.
- MCLR-linked borrowings benefit on borrowing cost will be seen in Q3.
- **Overall, 20bps improvement in cost of funds can be expected for FY26.**
- **It may have to give away 5-8bps by way of yield reduction on floating rate assets.**
- **Overall, expect 12-15bps net impact on margins purely due to cost of funds.**

Economy

- Festive season is commencing in Q2, and hence, economy could bounce back.
- Rebound of agri income will result in strong cashflow and liquidity.
- **Early arrival of monsoon has impacted the usage of vehicles, which has led to lower utilisation of vehicles.**

AUM

- VF expects AUM growth at 17-18%
- **Will look to at least maintain growth at the lower end of the guidance (of 20-25%).**
- If VF remains muted in H2, then it will look to grow faster in other segments.
- Housing loan asset growth is expected at 30%
- Overall growth trajectory is dependent on agri growth.
- Disbursements are down due to conscious cut down in CSEL, but Chola expects some pick up in gold loans as well.
- **Unsecured MSME is not doing well.**
- Not concerned about secured MSME, because it will get resolved either through Sarfaesi or resolution.
- For LAP NPA, Sarfaesi will take 1-2 years to resolve.
- For CSEL and SME, it was the first one to cut down business.
- Reduced the number of enquiries in CSEL business.
- CSEL business loan is INR 70bn.
- Stopped loan against shares, since it is low RoA product.
- For vehicle finance, it is working closely with the manufacturer, and hence, it is choosing the best quality customer.
- It has tightened the underwriting filters in vehicle finance, and hence, rejection rate is higher than the past.
- It has not been doing assignment under vehicle financing for a long period of time.
- It does a lot of securitisation in vehicle finance.
- Of late, it has not been doing any assignment

Opex and branch network

- Annual appraisals are affected in Jul, and hence, opex could be elevated in Q2 on sequential basis.
- However, it will look to increase overall productivity.
- Most branches are co-located with vehicle finance branches.
- 75 gold loan branches opened in urban markets.
- Initially, gold loan branches are launched in tier 1 cities and then in tier 2/3 markets.
- Overall, ~90% of branches are in tier 3/4/5/6 markets.

Technology

- Most of the loan origination system is internally developed.
- Other sub systems are also developed internally.

Q4FY25 conference call takeaways

AUM

- **AUM growth guidance of 20-25% (looking at ~30% growth in non-vehicle and ~20% growth in vehicle)**
- **Vehicle finance disbursement at 12% for FY25 and expects this to increase to 15-17% for FY26 with 20% asset growth.** This will also depend on how monsoon pans out in 2025.
- Home loans to have 15-20% disbursement growth for next 2 years.
- ~60% of home loan disbursement is coming from South.
- **LAP is expanded across the country, and hence, disbursement and loan growth are largely similar at 25-30% and this is likely to continue.**
- RoA in supply chain finance is very low and hence will go slow in supply chain finance, but will move towards term loan and equipment finance.
- Term loans are long tenure books, and hence, 30% growth is possible in this segment.
- CSEL asset growth was lower in FY25, but that will catch-up in FY26.
- Will not raise disbursements significantly in SME.

Credit cost and asset quality

- **Overall, 1.4% credit cost for FY25 and expects this to fall to 1.3% for FY26.**
- 1.6% vehicle finance credit cost in FY25, which will reduce in FY26.
- If vehicle finance credit cost falls 20bps, then overall credit cost will fall by 10bps as vehicle finance is 55% of book.
- CSEL, SME credit costs could see some uptick in H1 followed by a decline in H2.
- **CSEL credit cost will come down by running down the fintech book, which will start happening Q3FY26 onwards.**
- CSEL when Chola started fintech business, then this 5% FLDG norm was not existing. As a result, it has now developed in-house digital lending where RoA is >6%. **As of Mar'25, fintech related CSEL book was ~1% or INR 20bn.**
- **INR 350mn additional provision done towards CSEL in Q4.**
- For LAP and HL, it is very tightly maintaining its credit cost, while vehicle finance will see improvement in credit cost.
- **For HL, it doesn't have SARFAESI and hence resolution takes time. Hence, those cases which went into NPA in FY25 could see resolution by FY26-end. HL delinquencies are likely to remain around 40ps.**

Tamil Nadu ordinance

- TN bill – more related to private lender and MFI.
- Similar bill is there in Karnataka, Telangana and AP.
- Don't see any impact coming in vehicle finance portfolio in TN.

Margins

- **20% borrowings linked to repo or T-bill.**
- Large part of borrowings, which is ~50%, is linked to banks' MCLR. Hence, only when MCLR comes down, borrowing cost benefit will come down.
- **Chola expects 10-15bps reduction in cost of funds in FY26.**
- **Margins are likely to improve by 10bps in FY26.**

Opex and non-interest income

- **Target is to keep opex to assets around 300-310bps.**
- Gold loan related opex would be higher in FY26.
- **Planning to roll out 120 gold loan branches in Q1FY26, which would be standalone gold loan branches.**
- There should be some income coming through either securitisation or assignment route.
- In FY26, Chola is not looking to add significant number of branches in home loan and LAP, but will be looking at productivity and efficiency gains.

Miscellaneous

- Holding strong liquidity at INR 157bn.

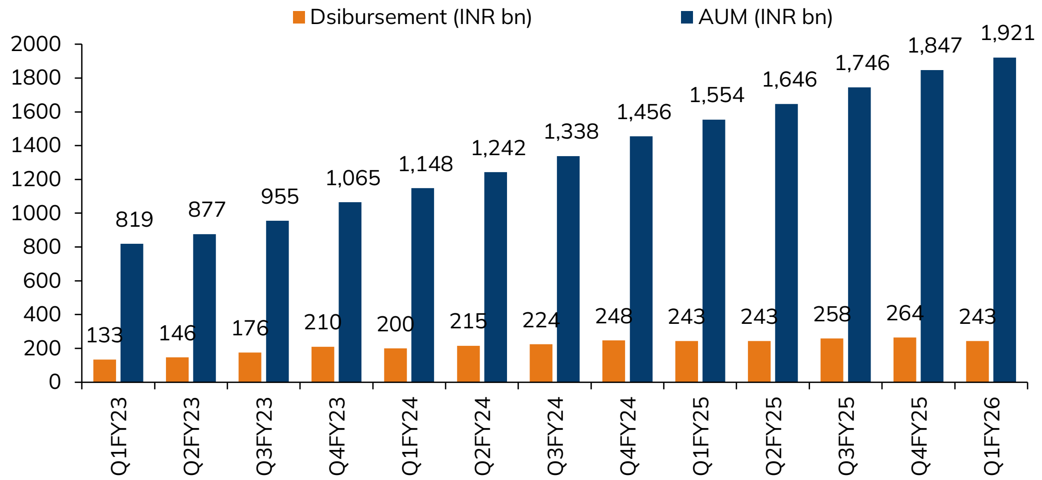
ICICI Securities

Exhibit 1: Q1FY26 result review

(INR mn)	Q1FY26	Q1FY25	% Chg YoY	Q4FY25	% Chg QoQ
Income statement					
Net interest Income	31,838	25,738	24%	30,557	4%
Add: Other Income	6,807	4,595	48%	7,027	-3%
Total Net income	**38,645**	**30,333**	**27%**	**37,584**	**3%**
Less: Operating expenses	14,528	11,834	23%	14,269	2%
-Employee benefit expense	9,243	6,835	35%	9,218	0%
-Depreciation & amortisation	668	583	14%	634	5%
-Other expense	4,617	4,416	5%	4,417	5%
Pre-provisioning profit	**24,117**	**18,499**	**30%**	**23,315**	**3%**
Less: Provisions & write-offs	8,821	5,814	52%	6,253	41%
PBT	**15,296**	**12,685**	**21%**	**17,062**	**-10%**
Less: Taxes	3,937	3,263	21%	4,395	-10%
PAT	**11,359**	**9,422**	**21%**	**12,667**	**-10%**
Balance sheet key items					
AUM	1,921,480	1,554,420	24%	1,847,460	4%
Loan assets on balance sheet	1,876,420	1,543,150	22%	1,819,300	3%
Net worth	247,150	205,250	20%	236,270	5%
Borrowings	1,813,040	1,499,020	21%	1,749,460	4%
Asset Quality					
Gross stage 3 (INR mn)	60,400	41,230	46%	52,130	16%
Gross stage 3	3.2%	2.6%	53 bps	2.8%	34 bps
Net stage 3 (INR mn)	34,000	22,470	51%	28,530	19%
Net stage 3	1.8%	1.4%	34 bps	1.5%	23 bps
Credit cost (annualised)	1.9%	1.5%	32 bps	1.4%	48 bps
Key ratios (annualised)					
Yield on AUM	14.1%	14.3%	-16 bps	14.3%	-18 bps
Cost of funds	7.8%	7.9%	-9 bps	7.9%	-9 bps
NIMs on AUM	6.8%	6.8%	-9 bps	6.8%	-5 bps
Other income on AUM	0.4%	0.3%	5 bps	0.4%	-3 bps
Cost to income	38%	39%	-143 bps	38%	-38 bps
Opex to AUM	3.1%	3.1%	-7 bps	3.2%	-10 bps
RoA	2.2%	2.3%	-8 bps	2.6%	-37 bps
RoE	19%	19%	-1 bps	22%	-313 bps
Debt to Equity (times)	7.3	7.3	0%	7.4	-1%
Tier 1	14.3	14.8	-46 bps	14.4	-10 bps
CAR	20.0	18.0	193 bps	19.8	21 bps

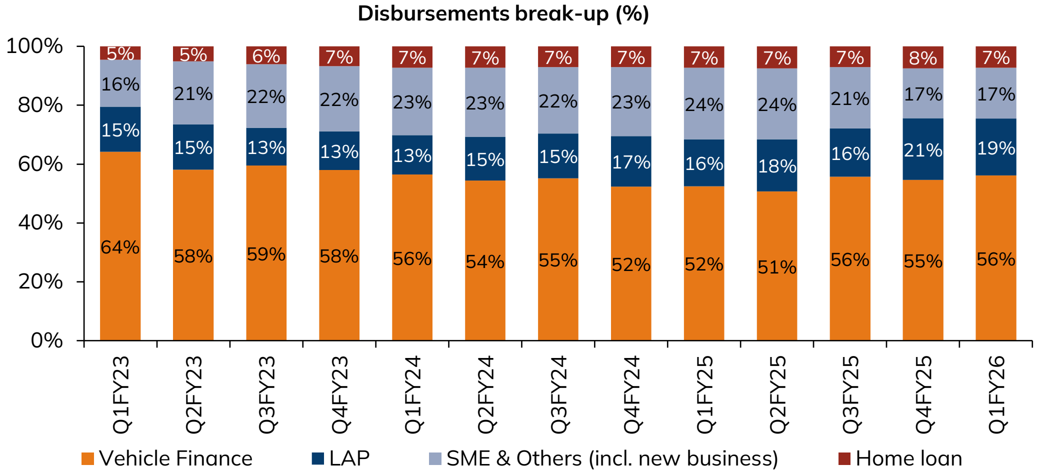
Source: Company data, I-Sec research

Exhibit 2: Consistent uptick in AUM despite headwinds in asset quality



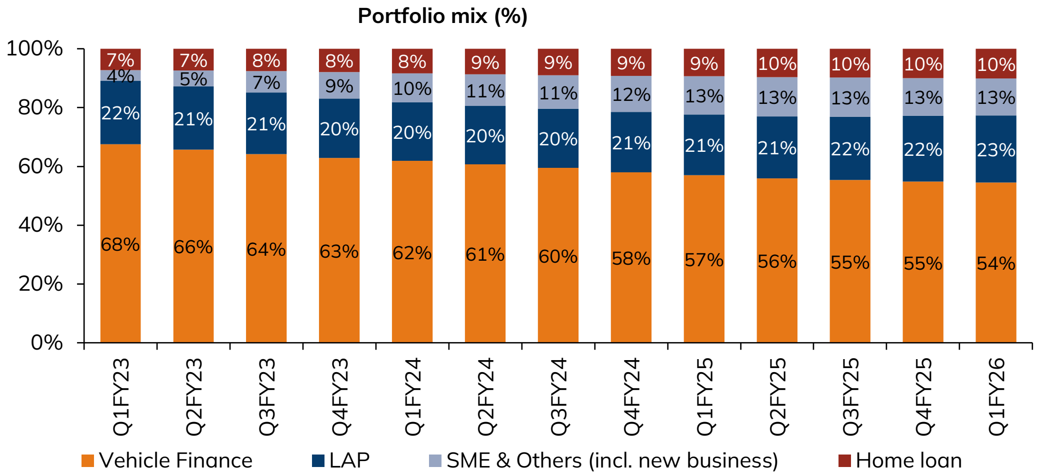
Source: Company data, I-Sec research

Exhibit 3: Nearly 45% of disbursements are towards non-vehicle businesses



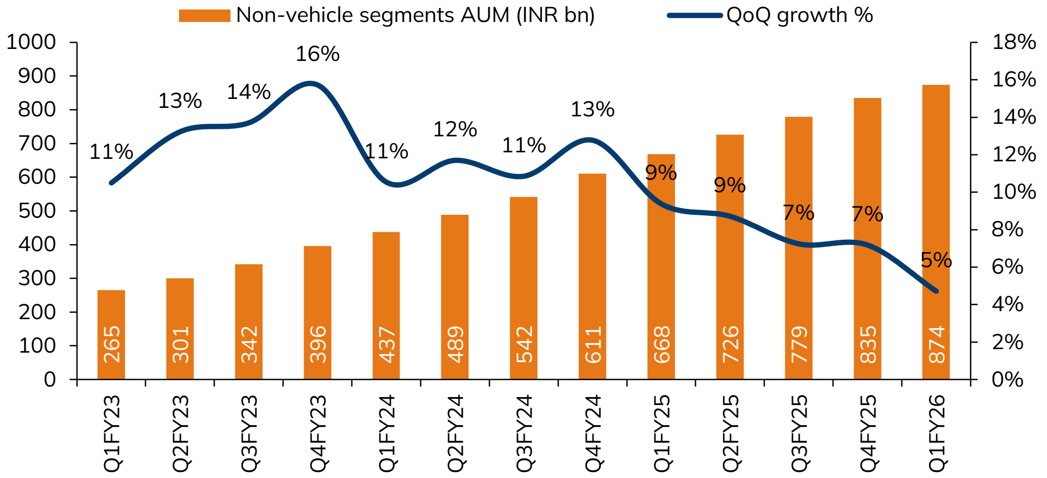
Source: Company data, I-Sec research

Exhibit 4: Gradually diversifying its portfolio towards non-vehicle segments



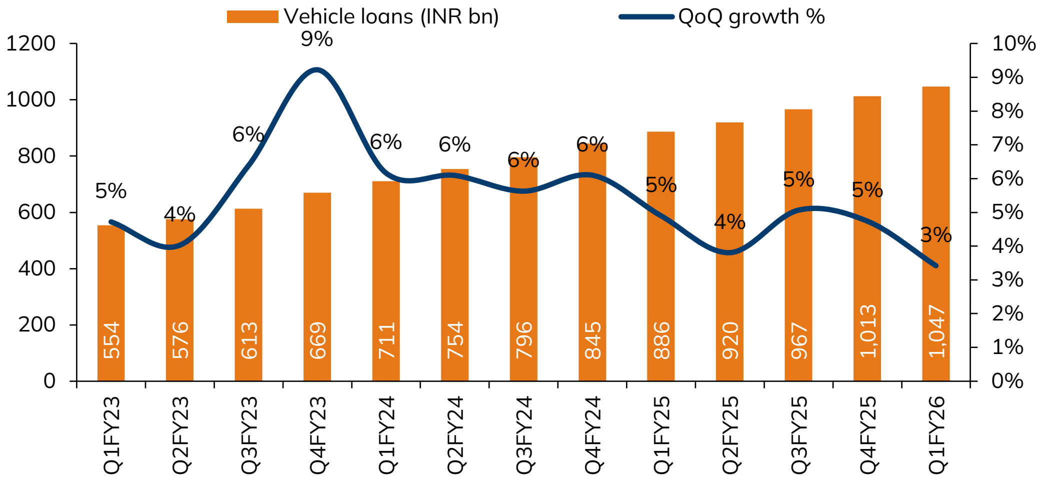
Source: Company data, I-Sec research

Exhibit 5: Non-vehicle segment AUM up 5% QoQ, outpacing overall AUM growth



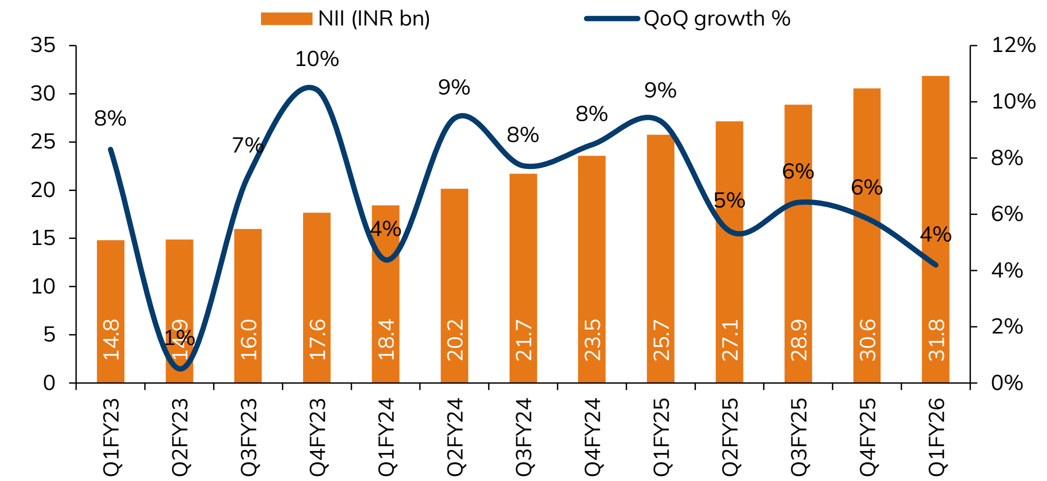
Source: Company data, I-Sec research

Exhibit 6: Vehicle finance AUM growth slower than overall AUM growth



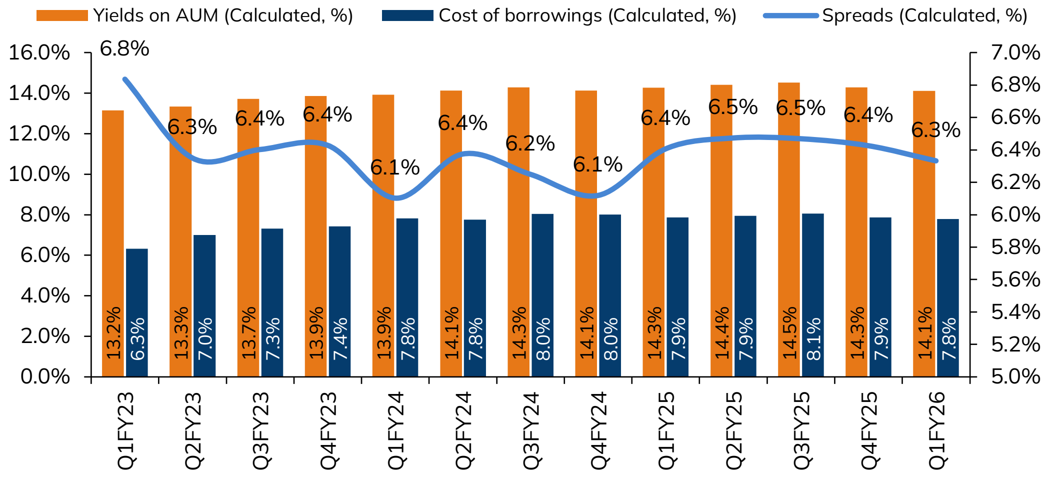
Source: Company data, I-Sec research

Exhibit 7: NII growth is broadly mirroring AUM growth



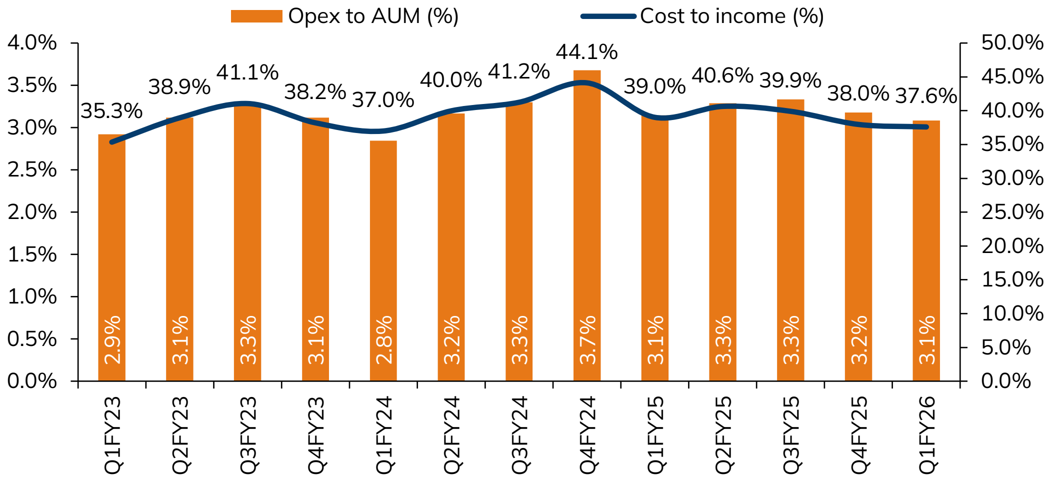
Source: Company data, I-Sec research

Exhibit 8: Calculated spreads decline a tad QoQ due to lower credit yield



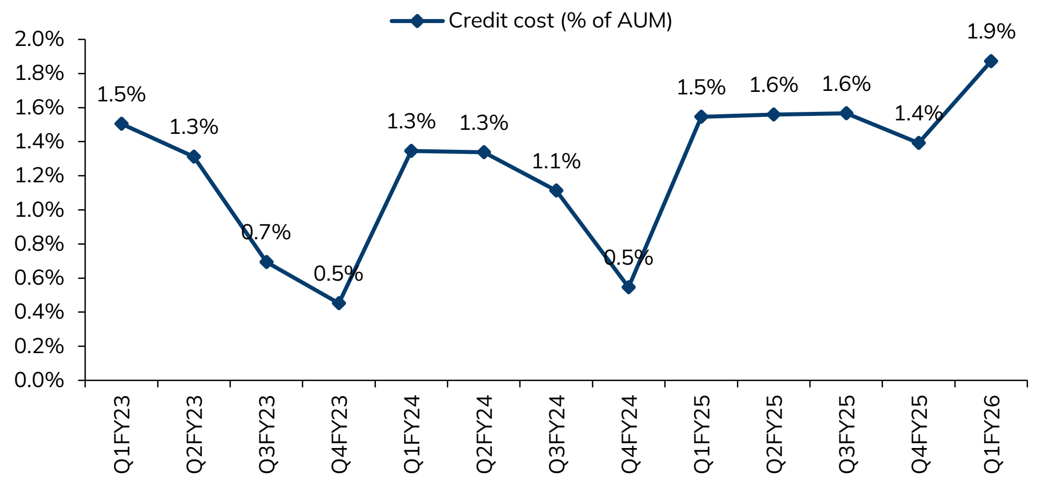
Source: Company data, I-Sec research

Exhibit 9: Opex to AUM continues to hover in a tight range



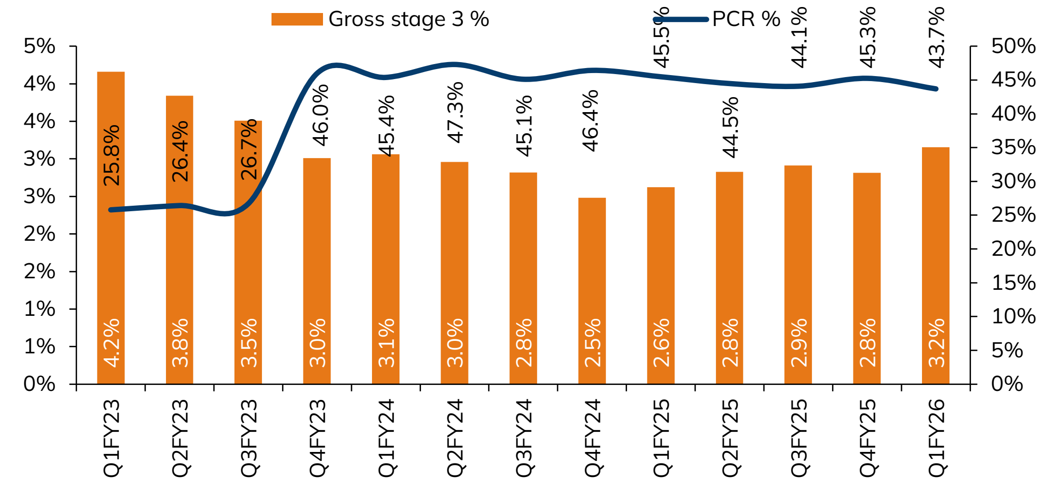
Source: Company data, I-Sec research

Exhibit 10: Credit cost deteriorated QoQ due to higher stress in vehicle loans and consumer loans



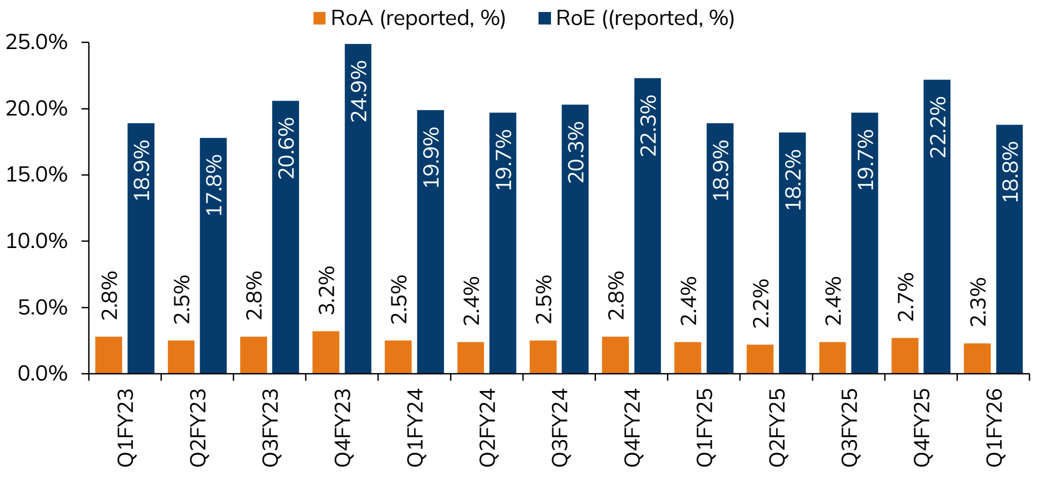
Source: Company data, I-Sec research

Exhibit 11: Gross stage-3 up QoQ due to higher stress in vehicle loans and consumer loans



Source: Company data, I-Sec research

Exhibit 12: RoA & RoE deteriorated due to elevated credit cost, impacting profitability



Source: Company data, I-Sec research

Exhibit 13: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	49.9	49.9	49.9
Institutional investors	43.5	43.8	42.7
MFs and other	13.4	12.5	12.5
Banks/ FIs	0.6	0.7	0.8
Insurance Cos.	1.4	1.5	1.4
FIIs	28.1	29.1	28.0
Others	6.6	6.3	7.4

Source: Bloomberg, I-Sec research

Exhibit 14: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	1,76,137	2,37,200	2,85,362	3,38,278
Interest Expenses	(92,306)	(1,24,849)	(1,45,941)	(1,68,055)
Net Interest Income (NII)	83,831	1,12,351	1,39,421	1,70,223
Other Income	**16,026**	**23,348**	**28,134**	**33,351**
Total Income (net of interest expenses)	99,857	1,35,699	1,67,556	2,03,574
Employee benefit expenses	**(23,306)**	**(32,805)**	**(41,063)**	**(49,915)**
Depreciation and amortization	(1,958)	(2,421)	(2,946)	(3,492)
Other operating expenses	(15,555)	(18,162)	(21,349)	(25,488)
Total Operating Expense	(40,818)	(53,388)	(65,358)	(78,895)
Pre Provisioning Profits (PPoP)	59,039	82,311	1,02,197	1,24,679
Provisions and write offs	**(13,218)**	**(24,943)**	**(32,578)**	**(37,121)**
Profit before tax (PBT)	**45,821**	**57,369**	**69,619**	**87,558**
Total tax expenses	(11,593)	(14,783)	(17,753)	(22,327)
Profit after tax (PAT)	**34,228**	**42,585**	**51,866**	**65,231**

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	1,681	1,683	1,683	1,683
Reserves & surplus	1,93,885	2,34,592	2,85,874	3,50,226
Shareholders' funds	**1,95,565**	**2,36,274**	**2,87,557**	**3,51,908**
Borrowings	13,44,736	17,49,461	19,71,077	23,53,181
Provisions & Other Liabilities	24,207	30,741	35,352	40,655
Total Liabilities and Stakeholder's Equity	**15,64,508**	**20,16,476**	**22,93,986**	**27,45,743**
Cash and balance with RBI	43,202	94,007	63,277	98,860
Fixed assets	15,696	17,469	20,089	23,102
Loans	**14,44,243**	**18,19,290**	**21,18,710**	**25,25,034**
Investments	41,002	63,904	66,833	69,908
Deferred tax assets (net)	6,542	9,467	10,887	12,520
Other Assets	13,824	12,340	14,190	16,319
Total Assets	**15,64,508**	**20,16,476**	**22,93,986**	**27,45,743**

Source Company data, I-Sec research

Exhibit 17: Key Ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
AUM and Disbursements (INR mn)				
AUM	14,55,720	18,47,450	21,71,739	25,92,743
On-book Loans	14,43,510	18,19,300	21,28,305	25,40,888
Off-book Loans	12,210	28,150	43,435	51,855
Disbursements	-	-	-	-
Sanctions	-	-	-	-
Repayments	4,96,510	5,54,591	7,40,127	8,44,287
Growth (%):				
Total AUM (%)	36.7	26.9	17.6	19.4
Disbursements (%)	-	-	-	-
Sanctions (%)	-	-	-	-
Repayments (%)	34.4	11.7	33.5	14.1
Loan book (on balance sheet) (%)	37.8	26.0	17.0	19.4
Total Assets (%)	37.8	28.9	13.8	19.7
Net Interest Income (NII) (%)	32.4	34.0	24.1	22.1
Non-interest income (%)	78.9	45.7	20.5	18.5
Total Income (net of interest expenses) (%)	38.1	35.9	23.5	21.5
Operating Expenses (%)	46.8	30.8	22.4	20.7
Employee Cost (%)	84.1	40.8	25.2	21.6
Non-Employee Cost (%)	11.5	16.8	17.6	19.4
Pre provisioning operating profits (PPoP) (%)	32.7	39.4	24.2	22.0
Provisions (%)	55.6	88.7	30.6	13.9
PBT (%)	27.3	25.2	21.4	25.8
PAT (%)	28.4	24.4	21.8	25.8
EPS (%)	25.6	24.3	21.8	25.8
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	6.7	6.9	7.1	7.3
NIM on IEA (%)	6.5	6.5	6.7	6.9
NIM on AUM (%)	6.7	6.8	6.9	7.1
Yield on loan assets (%)	14.1	14.5	14.5	14.6
Yield on IEA (%)	13.6	13.8	13.7	13.7
Yield on AUM (%)	14.0	14.4	14.2	14.2
Cost of borrowings (%)	8.0	8.1	7.8	7.8
Interest Spreads (%)	6.2	6.5	6.6	6.8
Operating efficiencies				
Non interest income as % of total income	43.6	43.1	44.5	45.8
Cost to income ratio	40.9	39.3	39.0	38.8
Op.costs/avg assets (%)	3.0	3.0	3.0	3.1
Op.costs/avg AUM (%)	3.2	3.2	3.3	3.3
No of employees (estimate) (x)	54,098	64,941	70,685	76,717
No of branches (x)	1,387	1,613	1,806	2,053
Salaries as % of non-interest costs (%)	57.1	61.4	62.8	63.3
NII /employee (INR mn)	1.5	1.7	2.0	2.2
AUM/employee(INR mn)	26.9	28.4	30.7	33.8
AUM/ branch (INR mn)	1,049.5	1,145.4	1,202.6	1,262.7
Capital Structure				
Average gearing ratio (x)	6.9	7.4	6.9	6.7
Leverage (x)	8.0	8.5	8.0	7.8
CAR (%)	16.6	15.2	14.1	14.4
Tier 1 CAR (%)	14.9	13.9	14.1	14.4
Tier 2 CAR (%)	1.7	1.3	-	-
RWA (estimate) - INR mn	13,29,832	17,14,005	20,64,587	24,71,169
RWA as a % of loan assets	92.1	94.2	97.4	97.9

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
Asset quality and provisioning				
GNPA (%)	2.5	2.9	3.1	3.1
NNPA (%)	1.4	1.6	1.9	1.9
GNPA (INR mn)	36,450	52,130	66,090	79,868
NNPA (INR mn)	20,048	28,672	39,654	47,921
Coverage ratio (%)	45.0	45.0	40.0	40.0
Credit Costs as a % of avg AUM (bps)	105	151	162	156
Credit Costs as a % of avg on book loans (bps)	106	153	165	159
Return ratios				
RoAA (%)	2.5	2.4	2.4	2.6
RoAE (%)	20.2	19.7	19.8	20.4
ROAAUM (%)	2.7	2.6	2.6	2.7
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	840	841	841	841
No of shares (fully diluted)	840	841	841	841
ESOP Outstanding	-	-	-	-
EPS (INR)	40.7	50.6	61.7	77.5
EPS fully diluted (INR)	40.7	50.6	61.7	77.5
Price to Earnings (x)	34.9	28.1	23.1	18.3
Price to Earnings (fully diluted) (x)	34.9	28.1	23.1	18.3
Book Value (fully diluted)	233	281	342	418
Adjusted book value	215	255	306	376
Price to Book	6.1	5.1	4.2	3.4
Price to Adjusted Book	6.6	5.6	4.6	3.8
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

Exhibit 18: Key Metrics

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
DuPont Analysis				
Average Assets (INR mn)	13,49,831	17,90,492	21,55,231	25,19,865
Average Loans (INR mn)	12,45,863	16,31,767	19,69,000	23,21,872
Average Equity (INR mn)	1,69,263	2,15,920	2,61,915	3,19,732
Interest earned (%)	13.0	13.2	13.2	13.4
Net gain on fair value changes (%)	-	-	-	-
Interest expended (%)	6.8	7.0	6.8	6.7
Gross Interest Spread (%)	**6.2**	**6.3**	**6.5**	**6.8**
Credit cost (%)	1.0	1.4	1.5	1.5
Net Interest Spread (%)	**5.2**	**4.9**	**5.0**	**5.3**
Operating cost (%)	3.0	3.0	3.0	3.1
Lending spread (%)	**2.2**	**1.9**	**1.9**	**2.2**
Non interest income (%)	1.2	1.3	1.3	1.3
Operating Spread (%)	**3.4**	**3.2**	**3.2**	**3.5**
Tax rate (%)	25.3	25.8	25.5	25.5
ROAA (%)	**2.5**	**2.4**	**2.4**	**2.6**
Effective leverage (AA/ AE)	8.0	8.3	8.2	7.9
RoAE (%)	**20.2**	**19.7**	**19.8**	**20.4**

Source Company data, I-Sec research

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